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WORKMEN'S REPRESENTATION IN INDUSTRIAL GOVERNMENT

BY

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PREFACE

This study is primarily concerned with certain plans of workmen's representation in industrial government which have recently developed in the United States, and which have been variously designated as shop committee plans, employee representation plans, works councils, et cetera. It is the purpose of the study to present these plans in their true light with respect to their origin, form, methods of procedure, the theory underlying them, accomplishments, relation to forms of workmen's representation developed in other countries, and relation to the trade union movement in the United States. A proper consideration of the two points last named necessitated the inclusion of a chapter very briefly describing the council movement in foreign countries, and one describing the joint representative councils which have developed in connection with unions in the United States.

CHAPTER I

THE COUNCIL MOVEMENT IN FOREIGN COUNTRIES

There has developed recently in the field of industrial management a widespread and pronounced movement toward the formation of joint industrial councils, joint works councils, works committees, shop committees, and related bodies. In the literature of the labor movement they are often grouped under such general terms as "works councils," or "joint councils." Though somewhat diverse in form, these bodies have in common certain fundamental characteristics.

In all cases, national and district joint industrial councils have been groups composed of representatives from employers and from trade unions within an industry or section of an industry. They have developed extensively in England, and to some extent in the United States.

Works councils, composed of representatives from both the management and the workers within a single industrial works or plant, have developed in England, Germany, Norway, Austria, United States, and Czecho-Slovakia. In many industrial concerns having this type of council there are also joint shop committees or joint department committees, similar to the larger council in form and method of procedure. The representatives of the workers in these joint shop or department committees are generally elected by the men in the shop or department. Works councils, shop committees, or department committees are, in some cases, composed only of representatives of the workers. In such cases arrangements are made for a part or all of such councils or committees to meet and carry on negotiations with representatives of the management.

The primary object of this study is the description and evaluation of the non-union employee representation plans developing in American industries. The major portion of this study is, therefore, devoted to such plans. But the desire to present the larger aspects of the council movement and the necessity of comparing the non-union councils or committees with those based upon unions have lead to the inclusion of a brief discussion of the council movement in Europe, and also of certain types of joint councils based upon unions which have developed in the United States.

A. The Council Movement in England

1. *Developments Prior to the Whitley Councils.* A committee was appointed in the English Parliament in 1917 to study the problem of industrial relations with a view to suggesting ways and means for gaining harmonious cooperation between capital and labor during the post-war reconstruction period. This committee, popularly known as the "Whitley Committee," brought in a report[1] that resulted in the establishing of national joint industrial councils, district joint councils, and works committees in many important English industries.

These Whitley Councils have been widely heralded as a more or less revolutionary change in the management of English industries. This change has generally been regarded as a result of the growing demand for democratic industrial control among English workers, especially among the Guild Socialists, Communists, members of the Social Labor Party, the miners, and the railway workers. These groups have long been striving for radical changes in the industrial organization in the direction of workers' control, or share in control through the medium of workshop committees, works councils, industrial councils, and similar bodies.

There is danger, however, of picturing as revolutionary a movement that has been essentially evolutionary in character, gradually expanding over a long period in the direction of an increased share in control for the workers. The truth of the matter is, the Whitley council movement has been and is an attempt to make a more general application of methods that had been thus gradually evolved as a part of the technique of joint industrial control by employees and unions. Therefore, an adequate description of the development of works councils in English industry begins with reference to the extent and character of the councils existing before the Whitley movement began.

The policy of forming joint councils of union representatives and employers to act as legislative bodies for drawing up general rules and regulations to govern industrial relations has been practiced

[1]Reconstruction Committee, "Interim Report on Joint Standing Councils," printed in full in *Bulletin of the United States Bureau of Labor Statistics*, No. 255, Washington, 1919.

very extensively in England for many years. Such councils have dealt with wages, hours, working conditions, discharge, discipline, methods of payment, adoption of new processes and machinery, standards of work, distribution of work, overtime, holidays, and many similar matters. The following quotation throws light upon the general situation:

"The most obvious form of permanent machinery for collective bargaining is a joint committee, consisting of equal numbers of representatives of the employers and workmen respectively. This may almost be called the 'orthodox' panacea of industrial philanthropists. For over thirty years, since the experiments of Sir Rupert Kettle and Mr. Mundella, employers and workmen have been persistently urged to adopt the form of a 'board of arbitration and conciliation,' consisting of representatives of each side, and with or without an impartial chairman or an umpire. Such a joint committee, it has been supposed, could thrash out in friendly discussion all points in dispute, and arrive at an amicable understanding. In intractable cases, the umpire's decision would cut the Gordian knot. Readers of the 'History of Trade Unionism' will remember how eagerly this idea was taken up by the organized workmen in certain great industries, and how, in coal mining and iron and steel in particular, it has since enjoyed the favor both of employers and employed. We need not stop to describe all the cases in which this form of machinery has, from time to time, been adopted. We shall best understand its operation by considering a couple of leading instances, the 'joint boards' of the boot and shoe trade, and the 'joint committees' of the Northumberland and Durham coal miners."[2]

These joint councils have been local in the majority of trades, and local and district and national in many trades. They are typically composed of an equal number of representatives of employers and workers, and in some cases there is an impartial chairman. They meet regularly and adopt trade agreements. There is usually direct or indirect provision in the agreements for renewal of negotiations, thus making these joint councils more or less permanent in character.

[2]Webb, Sidney and Beatrice, *Industrial Democracy*, p. 185.

There are many instances of joint councils which meet regularly to consider all matters of interest to the trade, and thus become of a more continuous and constructive character than those councils formed merely on the occasion of new agreements. These permanent bodies oftentimes perform the functions of a conciliation board as well as a legislative body, an example being the early conciliation boards in the building trades. Their functions are described as follows: "Although the principal objects of the Conciliation Boards are the settlement of disputes, . . . it shall also be within their province to meet and discuss any question of trade interest at the request of any of the parties to the agreement."[3]

Similar boards in the plumbing industry had as their objects "to consider any question affecting the plumbing trade and to procure the improvement of any existing laws, usages and customs, which the Board may consider to be prejudicial to the trade, and to amend or oppose legislation or other measures or the establishment of any usages or customs which in the opinion of the Board might prejudicially affect our craft."[4]

The Birmingham Alliances in the Light Metal Trades,[5] the early National Council in the Cotton Industry,[6] the Joint Councils to which Carpenters', Bricklayers', Stonemasons', Plumbers', and Plasterers' Unions have been parties, and the early Joint Conferences in the coal mining, and boot and shoe industries, are further examples.[7]

It is apparent, then, that the trade union movement had obtained for the workers a considerable share in industrial control through the medium of national and district representative joint councils long before the Whitley movement developed.

The most important national industrial joint council in England which existed previous to, and independent of, the Whitley Councils, is the Industrial Council of the Building Industry which has oftentimes been referred to as the forerunner of the Whitley Councils. This industrial council was first suggested by the Na-

[3] Goodrich, Carter L., *Frontier of Control*, p. 224.
[4] *Ibid.*, p. 224.
[5] *Ibid.*, p. 236.
[6] Webb, Sidney and Beatrice, *Industrial Democracy*, p. 176.
[7] *Ibid.*, chapter on "Method of Collective Bargaining."

tional Building Trades Councils which represent twelve of the unions in the building trades. They submitted a memorandum to the National Federation of Building Trades employers of Great Britain and Ireland, proposing a "National Industrial Parliament for the Building Industry." Their proposal resulted in the formation in May, 1918, of the "Industrial Council for the Building Industry." The character of the council is provided for in its constitution as follows: "The Council shall consist of 132 members, appointed as to one-half by Associations or Federations of Employers and as to the other half by Trade Unions or Federations of Operatives."[8] The general object of the council is stated in these words: "The Council is established to secure the largest possible measure of joint action between employers and workpeople for the development of the industry as a part of national life, and for the improvement of the conditions of all engaged in that industry."[9]

In order to accomplish this broad purpose, the council is to devote its time and energies to such constructive work as: regularizing production and employment; minimizing the fluctuations of trade; introducing scientific management; reducing costs; improving welfare methods; enlarging the membership of employers' and employees' organizations; utilizing the practical knowledge of the workers; giving to workers greater share in determining working conditions; making earnings and employment secure for the workers; promoting research and study of improvements in the works; collecting and circulating statistics on matters concerning the industry; arranging for more education among the workers; giving to the community, through the press, a knowledge of matters affecting the industry that are of interest to the public; showing the government department and local authorities the needs of the industry; cooperating with the joint industrial councils of other industries; having important matters fully discussed by committees of inquiry, joint district boards, works committees, trade papers, and general press.

The council has several outstanding features: (1) It is not a means of handling disputes; it is for constructive purposes only. (2) It proposes to do away with the antagonism and hostility

[8] Bloomfield, Meyer, *Management and Men*, p. 488.
[9] *Ibid.*

between employers and men, and to substitute constructive co-operation based upon mutual confidence and good will to the end of increasing the efficiency of the building industry. (3)This group will consider and propose legislation. The government has consented to recognize and consult it as the spokesman of the industry on matters of legislation. (4) This council is in a large, staple, and highly organized industry. Nearly one million men are employed in it. (5) It recognizes that industrial efficiency cannot be achieved by a balance of power between unions and employers' associations "with some Supreme Court of Appeal in the background," but must be based on "mutual confidence, real justice, and constructive good will." (6) It provides for decisions by a majority vote of the whole group, rather than a majority vote within each group, as in the case of the Whitley Councils.

Turning now from the national and district joint industrial councils to the local works committees, or works councils, we find that in this case also, the Whitley works committees have been preceded by a long experience with similarly formed works committees. Many works committees existed in English industries long before the Whitley movement, and many exist today independent of the Whitley Councils.[10]

The basis of these committees is the union shop steward. This term is hereafter used to designate all those representatives of the union workers in a shop variously designated by such terms as: shop assistants, works representatives, shop delegates, collectors, yard committeemen, and works directors.

The functions of the shop steward as a union representative are generally to collect dues; to guard against defaulters; to investigate union records of newcomers; to supply the union district committee with information; to participate and negotiate with management respecting grievances; to call shop meetings to discuss grievances; and to enforce union rules in the shop.

However, as a rule, shop stewards do not function individually. In all the larger establishments there exist many stewards for each union. These stewards commonly elect a works committee of three or more from their own number to carry on any of their

[10]The following discussion of works committees is based upon the "Report of an Inquiry Made by Ministry of Labour," *Industrial Reports*, No. 2, London, 1918.

functions. Also there exist many trade unions within the same works. Many of the problems which need to be handled by these committees are common to all those employed in the works; therefore there has developed a great variety of works committees which have absorbed the general functions of the individual trade union, shop committee, or works committee. The shop steward or the shop stewards committee of the particular union may still function separately to collect the dues of its members and perform similar union duties; but in respect to its general work, it has in many cases become a part of, or been replaced by, some broader works committee more representative of all the workers in the shop or works.

The functions of these committees, though varying in different places, may typically be part or all of the following: to investigate grievances and present worthy cases to the management; to investigate individual complaints about wages and piece-rates and negotiate their adjustment with the management; to consider questions concerning the health and safety of the workmen; to consult with the management concerning the circulation of awards, orders, and circulars; to consider generally the condition of work in the establishment; to arrange shifts and hours of admission to the works; to allocate piece-work and time-work; to consider problems of works discipline, time-keeping, methods of paying wages and overtime work; to cooperate with the management in suggesting improvements tending toward greater efficiency; to negotiate with employers concerning discharges; to negotiate with employers concerning choice of foremen; to consider problems of dilution, wage bonuses, changes in machinery, rules for apprentices, and various kinds of welfare work; to consider questions of recreation, education, social insurance, etc.

There are several typical methods of electing members to these works committees. They may be elected by all union and non-union workers in an establishment, each department electing representatives. This often exists in shops having an organization of shop stewards, and generally results in the election of these shop stewards to works committees. In other cases there is a committee of all the shop stewards or a committee elected by, and from among, the shop stewards in large plants. In still other cases, elections are based upon individual trade unions, each one

choosing representatives in proportion to its size within the shop. This method oftentimes results in the election of shop stewards to the committees. In a few cases, the representatives on the works committees are appointed by the local branches of the various unions involved. This also quite commonly puts the shop stewards on the committee.

It is apparent, therefore, that, prior to and independent of the Whitley council movement, works committees and special committees of workers of various types had been gradually developing in British industries for many years. At the present time there are few industries that do not have them in some form. These committees have operated, as a rule, as an integral part of, or at least in harmony with, the trade unions, and there has been a general tendency for these committees to extend their powers and broaden their functions. While these committees have not been constituted as joint committees, they have functioned as joint committees of management and men. They have, as a rule, no final authority except as the power of the organization which they represent gives them authority.

According to the Report of the Ministry of Labor,[11] these local works councils or works committees have proved to be highly successful. They have proved to be constructive, since "more improvements can be introduced in an atmosphere of harmony than can be introduced in an atmosphere of suspicion;" produced better relations between management and men; increased efficiency, because "more time is gained by absence of disputes than is lost by the presence of discussion;" improved time-keeping; increased output; and prevented strikes "by providing a channel for the ventilating of grievances at an early stage before they become acute."

These facts seem to bear out at every point the theory that more democratic industrial management is conducive to the removal of distrust and suspicion of the worker toward the management; and that when distrust and suspicion have been removed, cooperation and increased efficiency result.

2. *Whitley Councils in England.* The committee which has come to be known as the "Whitley Committee," although appointed in October, 1916 by the Prime Minister Asquith, was

[11] *Ibid.*

called officially a "Reconstruction Committee,"[12] and was created to deal with the problem of reconstruction in the post-war period. Its instructions were to make and consider suggestions for securing a permanent improvement in the relations between employers and workmen; and to recommend means by which industrial conditions affecting the relations between employers and workmen could be systematically reviewed by those concerned, with a view to improving such relations in the future.

The committee urged that these objects could be attained best by the creation of a system of joint industrial councils, which would include works committees composed of representatives of the management and the workers in a particular works; district councils, composed of representatives of the various trade unions and employers' associations in a certain district within an industry; and national joint standing industrial councils, composed of representatives of the national employers' associations and the national trade unions within an industry.

To September, 1920, sixty-eight national joint industrial councils had been formed in compliance with the recommendations of the Whitley Committees. Twenty of these were formed in 1918; thirty-one in 1919; and seventeen in 1920. Seven of these were suspended, leaving sixty-one in operation, representing over 3,500,000 workpeople.[13]

The functions assumed by these joint industrial councils are practically identical with those suggested by the Whitley Committee.[14] They have undertaken the work of considering measures for securing maximum production; considering means by which the greatest possible security and continuity of employment shall be obtained for employees; encouraging study and research with a view to the improvement of the quality of the product and methods of manufacture; providing facilities for the full consideration of inventions and improvements designed by the work-

[12]Reconstruction Committee, "Interim Report on Joint Standing Industrial Councils," printed in full in *Bulletin of the U. S. Bureau of Labor Statistics*, No. 255, Washington, 1919.

[13]*Bulletin of Ministry of Labour*, Industrial Councils Division, No. 3, September, 1920.

[14]Reconstruction Committee, "Interim Report on Joint Standing Councils," *Bulletin of U. S. Bureau of Labor Statistics*, No. 255, p. 19.

people, and the adequate safeguarding of the rights of the designers; inquiring into special problems of the industry, including the comparative study of the organization and methods of the industry in this and other countries. All of these joint industrial councils have undertaken the function of representing "the needs and opinions of the industry to government authorities both central and local" and "the consideration of such matters as may be referred to the Council by the government, government departments, or other authorities."

In every case, these councils have taken over the function of the regular consideration of wages, hours, and working conditions in the industry as a whole, with a view to improving such conditions and securing for the employees the just share of the prosperity of the industry. In addition to these duties, many of the councils have undertaken to compile statistics and collect information regarding the industry; and to take measures to secure the inclusion of all employers and workpeople in their respective organizations. In many instances also, the councils have assumed the function of providing more adequate means of conciliation and arbitration of disputes, and the supervision, education, and training of apprentices. Finally, in all cases they have taken over the work of superintending the creation of district councils and works committees in so far as they consider them to be necessary.

The suggestion in the Whitley report that the council be composed of representatives of trade unions and the employers' associations, with a due regard to their proportionate numbers, has been carried out in all instances.

In September, 1920, there were over twenty-five industries in which district councils had been set up. The territorial basis of these district councils is determined by the national joint industrial council.

In general, the constitutions of the district councils are the same as for the national council in respect to provision for membership, reappointment, officers, committees, meetings, voting, finance, keeping of minutes, and functions. The intention is that the district councils shall cooperate with the national council, and work under its direction and control in carrying out their numerous functions within the district; and shall take executive action respecting any of those functions when the matter involved affects

only their particular district. It considers propositions referred to it by the national council, makes recommendations to the national council; and refers such matters on which it cannot make a decision to this council. All actions taken by the district council are subject to veto by the national council if it considers that the interests of other districts are involved.

In September, 1920, works committees had been set up in twenty-five industries, and the formation of such committees was under consideration in the national councils of twelve other industries.

The Whitley works committees are usually joint committees composed of representatives from the workers and management, but as a rule, there are more representatives of the workers than of the management. Representatives of the workers are elected, in some cases, by the union men in the shop. In either instance, the committee works strictly in cooperation with the trade unions and subject to their national and district agreements. The representatives of the workers are elected for short terms, elections being held by ballot, generally on the basis of departments, unless larger units are necessary to keep down the size of the joint committee.

In most of the joint works committees, meetings are held during working hours at regular intervals of one, two, three, or four weeks. The agendum for the meetings is distributed to the members of the committee beforehand; unlisted business is taken up only by agreement. Sub-committees are very often created to deal with special subjects. In case of questions affecting special groups or particular departments, either the workman or the employer, if either so desires, may call in representatives from such groups or departments. The majority of the constitutions provides for separate meetings for the workers' representatives and for the election of a secretary by the workers' section of the committee. In carrying on his business, this secretary can enter any department in the works, and at any time. The workers' representatives are compensated either by the workers or the company, or by the two jointly, for the time spent in the meetings.

Subject to the limitations noted above, these works committees perform many functions. Their most important work has been done in connection with the following subjects: methods of employment and discharge; questions of discipline; settlement of

grievances; training of apprentices; suggestions for improvements in processes, organization, and machinery; holidays, vacations, etc.; sanitation, ventilation, safety, and many similar problems; application of wage scales and piece prices to individuals; general workshop rules; recreation, as games, dances, etc.; consideration and encouragement of inventions and improvements on the part of the workmen, safeguarding the rights of those responsible for such inventions or improvements; and consideration of any other means whereby greater cooperation and efficiency can be attained.

In this system there is a regular course of procedure followed in connection with the taking up of grievances. The individual workman takes his complaint first to his departmental representative. If this representative fails to effect a settlement, he carries it to a workers' secretary. If the latter fails, the question goes before the joint committee. In case the works committee disagrees, the matter is taken up, in some cases, with the unions involved, or in other cases, directly with the district council. At all times, works councils are limited by the powers and decisions of the district or national councils, or any existing agreements between the trade unions and the employers. Decisions must be reached in these committees by unanimous vote or sometimes by a majority vote within the groups of representatives from each side.

The Ministry of Labor, during the last two years, has published in the Labor Gazette monthly reports of the activities of the Whitley Councils.[15] It has also published four Bulletins containing summaries of the activities of these councils.[16] A digest of the activities of the Whitley Councils has been compiled by bringing together the material found in all these reports and analyzing and classifying it. The following discussion is based upon this digest:

At the time that the Whitley Councils were initiated, many bodies for the settling of disputes already existed. It was specifically stated by the Ministry of Labor that the Whitley Councils were not intended as substitutes for these existing bodies. How-

[15]See files of the *Labor Gazette*, Ministry of Labor, Whitehall, London, for years, 1921, 1922.

[16]Joint Industrial Councils, *Bulletin of Ministry of Labor*, Industrial Councils Division, Nos. 1, 2, 3, 4.

ever, one of the functions definitely assigned to them was "the establishment of regular methods of negotiation arising between employers and workmen." The intention of the government in this respect has been carried out. The Whitley Councils have not been used extensively for the purpose of settling disputes. The reports of the Ministry of Labor devote considerable space to the subject of disputes and conciliation, but an analysis of these reports shows that the councils have devoted their attention chiefly to setting up various types of conciliation and arbitration committees, either local, district, or national in character.

The subject which has received the most attention in Whitley Councils is that of wages. The reports of the Ministry of Labor, covering activities of the Whitley Councils up to 1922, show that the national joint industrial councils have adopted new wage scales in ninety-five cases. Of these, forty have been general wage reductions; eighteen have been wage increases; and thirty-seven have been concerned with readjustment of piece-rates, bonus plans, overtime pay, and holiday pay. In the last group, the reports do not designate whether the rates have been higher or lower than the rates previously existing. In connection with forty-five of these wage agreements, there has been adopted a national minimum wage.

Next to wages, the question of hours has received most attention by the Whitley Councils. The records show that twenty-eight agreements, establishing new regulations for the length of the working day, have been made in the Whitley national joint industrial councils. In at least fifteen of these cases, the forty-seven hour week has been adopted for the entire industry concerned. The majority of the others have established the forty-eight hour week. In the china clay industry an agreement has been reached establishing the forty-two hour week with the reduction of wages. In all these cases there has been a reduction of the length of the working day, and in a majority of these this has been done without a reduction of wages.

The question of apprenticeship has received almost as much attention in the Whitley Councils as the question of hours. Twenty-five of the national joint councils have appointed special committees to formulate national rules and regulations for governing the supply and training of apprentices. Among the industries that

have already adopted the reports of such committees are the following: bobbin making, electrical contracting, building, pottery making, cooperage, scottish baking, heating and domestic engineering, glove making, and optical instrument manufacturing.

The two topics, research and statistics, are classed together in the reports of the Ministry of Labor. The topics which have been the object of special research by sub-committees of Whitley national joint industrial councils are wages, prices, methods of determining prices, profits, scientific management, reduction of costs, workshop conditions, apprenticeship laws and rules, housing, standardization of rates, reduction of costs, and the cost of living.

Further activities of the councils have been concerned with plans to bring all workers and employers within their respective organizations; with the publishing of books describing their work and aims; with matters of welfare and safety; with means of enforcing agreements; with unemployment; and with workmen's compensation. The reports, however, do not show that very extensive results have been accomplished in these matters.

This brief review of the work of the Whitley national joint industrial councils shows that their attention has been directed chiefly to the consideration of wage scales, hours, working conditions, apprenticeship, and similar matters that have always been the principal subject matter of trade agreements. Over ninety national trade agreements have been formulated by these councils. In respect to subjects dealt with, the Whitley Councils have not differed from those annual or occasional joint councils which have been held for many years in most English industries for the purpose of formulating trade agreements. One notable exception to this statement is found in the work of the Building Trade Council in introducing scientific management into the building industry.

Some of the functions assigned to the Whitley Councils in the Whitley Report, and subsequently included in the constitution of these councils, receive little, if any, mention in the government reports. The better utilization of the practical knowledge and experience of the workpeople; the provision of facilities for the full consideration and utilization of inventions and improvements designed by workpeople, and for the adequate safeguarding of the rights of the designers of such improvements; the improvements

of processes, machinery and organization, are functions which it was intended that the Whitley Councils should perform. The Reports of the Ministry of Labor concerning the work of these councils make no reference to such activities.

The evidence which has been reviewed affords sufficient basis for the conclusion that the Whitley Councils have constituted an important development in English industrial management. The employers and the organized workers in more than sixty English industries have been brought together in these councils, and have there jointly considered and settled many important problems in the light of facts ascertained by joint investigations. This intimate and continuous association for the purpose of attaining industrial peace and cooperation, and the extensive work of the joint sub-committees of these councils in ascertaining facts upon which to base decisions and agreements, are the distinctive accomplishments of the Whitley Councils.

However, these Whitley national and district joint councils are similar in their essential characteristics to the joint conferences which have long existed in English industry. They are, in each case, joint councils of representatives of the unions and the employers, in which decisions are made not by majority vote, but by agreement. The Whitley Councils are of a more fixed and permanent character, in that they meet more regularly and have a permanent personnel and the members are elected for a fixed term of office. The older type of joint conferences met, as a rule, only when emergency arose or new agreements were to be negotiated; and then members were elected only for the particular occasion.

It is true that the Whitley Councils differ from the older type of joint councils in some of their proposed functions. The older type of councils generally performed no further function than the formation of the typical trade agreement. The Whitley Councils, however, have been assigned broad constructive work, such as the consideration of means for the better utilization of the practical knowledge of the workers; the means of securing for the workpeople the greatest possible security of earning and employment; technical education and training; industrial research; facilities for full consideration of inventions made by the workers and for safeguarding the workers' rights therein; improvements in processes,

machinery, and organization; and proposed legislation for the industry. It is these broad constructive functions of the Whitley Councils that are supposed to differentiate them most clearly from previously existing joint councils. However, the analysis of the work which the Whitley committees have thus far performed indicates that though they have made some substantial progress toward constructive joint industrial management, they have been chiefly occupied with the same problems which have occupied the time of joint councils in the past, i. e., wages, hours, holidays, overtime, working conditions, and the like.

The same difference in proposed functions is to be noted in this case as in the case of the national joint councils. The Whitley Committees have nominally assumed broader and more constructive functions; but on the whole, their activities have been concerned with the same problems which have absorbed the attention of other works committees of the past and present.

B. The Council Movement in Germany

In 1891, there was passed in Germany a labor law which provided for the creation of workmen's committees in German factories.[17] These committees were to cooperate with the management in the making of rules and the regulating of working conditions. In a few of the factories they were created and manipulated as a weapon against the trade union movement. Also, before the war, laws were passed in various individual states in Germany which made it obligatory upon mining concerns employing over one hundred men to give workers representation through committees for the control of working conditions in the mines. These committees were to meet with the employers to settle all disputes and to "discuss proposals, wishes, and complaints of the workers concerning their working contract." When an agreement could not be reached in such meetings, the questions under consideration were referred to arbitration.

This was a very noteworthy advance in the direction of industrial democracy. One German writer says in this respect:

"These committees were the forerunners of the later Betriebsräte (works councils). While the social protection of the

[17]Ohse, H., *Annals of the American Academy of Political and Social Science*, Vol. XCII, November, 1920, p. 54.

employee was diminished during the war, the social determination of the workingman and salaried employee gained ground in industrial establishments through the organization of workers. The authority of the employer was, therefore, already overthrown before the revolution started."[18]

The revolution in Germany occurred in November, 1918. Almost simultaneously with the revolution, there sprang up a multitude of councils among the workmen, soldiers, sailors, and peasants. It has been estimated that there were over ten thousand of these councils in existence during the winter of 1918-19.

These councils were very heterogeneous in nature. They were chiefly inspired and led by the Spartacists and radical Socialists of the extreme left, but were also supported by many of the more conservative Socialists, as well as many members of the numerous other political parties. They were not only heterogeneous in respect to the political affiliations of their members, but were also very diverse in form. At the top were two large councils, the Council of Greater Berlin, and the Council of the People's Commissioners. Below these were various gradations, based upon a wide variety of constituencies. They included communal councils, factory councils, regimental and company councils, and sailors' councils.[19]

Late in November, 1919, these councils assumed supreme power in the government, and called a congress of workmen's and soldiers' councils from all Germany to meet December 16. This congress was dominated by the moderate Socialists and conservative parties. They elected Herr Ebert president. Herr Ebert's government immediately issued a program which promised among many other things, "the control of wages and conditions of employment by organizations of employers and employees." This was an effort to conciliate the radical elements. Notwithstanding this, the government immediately set to work to remove the fangs from the existing councils by gradually stripping them of all political power and replacing them by workers' and employees' committees. The supporters of the council movement were not satisfied with the new conditions and never ceased their agitation for

[18]Sinzleimer, Hugo, "Development of Labor Legislation in Germany," *Annals of the American Academy of Political and Social Science*, Vol. XCII, p. 31.

[19]Laidler, H. W., *Socialism in Thought and Action*, Chapter XII.

more democratic control of industry. As a result of their agitations and the other influences which had been working toward this more democratic control of industry, Article 165, which provides for works councils in German industries, was incorporated into the German constitution July 31, 1919.

In explanation of their support of Article 165 in the new constitution, the German national government issued a detailed announcement in March, 1919, in which they expressed the following interpretation of the works council movement:

"The conception underlying the movement for the formation of these councils is of a two-fold nature. The worker, as such, is striving for the direct and independent assertion of his interests within the works at which he is employed; and also, as one of the general public, is striving to achieve the right to cooperate in the process of production itself, a process in which his employer has hitherto had sole control, his desire being to cooperate in a status superior to that of a mere wage-earner, i. e., from a position which will afford him a view of his industry as a whole; so that he may help toward its development."[20] This, of course, was a very mild interpretation of the underlying current in the works council movement; and perhaps stated more accurately what the government desired the works council movement to be and what they proposed to make of it.

The militant advocates of the works council movement desired to make the works council system the very fundamental basis of the government, not only of industry, but of all phases of German life. The moderate government, however, was in control, and the new constitution was adopted, with the council movement confined to the status defined in Article 165 which reads in part as follows:

"Workers and salaried employees are called upon to cooperate in conjunction with the employers, on equal footing, in the settlement of the conditions of pay and work as well as in the economic development of the productive forces. The organization of both and their agreements are recognized. The workers and salaried employees are, for the purpose of securing their social and economic interests, given legal representation in the form of shop

[20] *Monthly Labor Review*, U. S. Bureau of Labor Statistics, September, 1919, p. 125.

councils, as well as district labor councils, organized according to industries, and a Central Labor Council, (Reichsarbeiterrat)."

Only the short interval between July 31 and August 21 elapsed between the passage of the broad constitutional guarantees and the introduction to the Assembly of a bill to provide the machinery and regulations for putting these guarantees into practice. The law was passed January 18, 1920, and went into effect some time in February. The law, as finally passed, contained the following significant features:

1. *Object.* For securing the economic interests of the employees against the employer and for supporting the employer in the fulfillment of the purposes of his establishment, shop councils must be created in all the establishments where usually at least twenty employees are occupied. Agricultural, commercial, and industrial establishments are included.

2. *Nature of Works Councils.* The works council is elected by all manual and salaried workers. A separate workers' council is elected by the manual workers, to look after the interests peculiar to their group. A salaried employees' council is elected by the salaried employees, to supervise their group interests.

3. *The Works Assembly.* All the workers of the establishment constitute a works assembly. Separate works assemblies may be held by the manual workers and by the salaried employees. The employer may be represented, but cannot vote in these assemblies.

4. *Time of Meetings.* All meetings of the various councils are held regularly outside of working hours. Exceptions are reported to the employer. Meetings of the works assemblies are held outside of working hours except when the employer's consent to meetings during working hours is obtained.

5. *Compensation.* Members of the councils are not compensated. Necessary loss of time, due to attendance at meetings of the council, does not entail reduction in wages or salary.

6. *Functions of the Works Council.* The works council is expected to aid the management in every way possible to secure the most efficient and economic conduct of the business, and to cooperate in furthering the introduction of improvements in produc-

tive processes. At the council's request the employer must convene a monthly meeting to discuss jointly improvements in plant, machinery, and administrative methods.

The council is to protect the establishment from disturbances arising from disputes among the workers or between the workers and employers. If such disputes cannot be settled by negotiation, the councils of manual workers and salaried employees name an arbitration committee.

The works council sees that the awards of the arbitration committee are carried out; negotiates new shop regulations in modification of existing agreements with the employer; strives to promote harmony among the workers and between them and the employers; strives to maintain the independence of the unions; has power to hear the grievances of the workers and to negotiate with the employer concerning them; and has power to participate in the administration of housing, pension funds, and other welfare projects.

7. *Functions of the Manual Workers' and Salaried Employees' Councils.* The manual workers' and salaried employees' councils enforce within their group standard wage agreements and awards of the arbitration committee; cooperate with the unions in securing wage agreements when such agreements do not already exist; regulate the hours of work; fix rules respecting vacations; handle matters pertaining to apprentices; adjust complaints between members of their group and the employer; appoint arbitration committees when necessary; call attention to unsanitary or dangerous conditions in the establishment; cooperate with inspection officials by giving advice and information; aid in enforcing police and safety regulations; cooperate with the employer in establishing rules, hiring and discharging workers or employees; and cooperate in the aid of those injured in war or by accident.

These councils may also investigate and negotiate with the employer concerning cases of: dismissals for political, military, religious, or trade union activities; unjustifiable discharge not due to the conduct of the employee or the condition of the establishment; discharge without notification of cause; or dismissal for refusing to do work not called for under existing contracts or agreements.

If no agreement is reached by negotiation between the employer and the manual workers' or salaried employees' councils, the case goes to the arbitration board whose decision is final.

8. *Relation to Trade Unions.* Among the various duties of the works council is the provision that it shall strive to preserve the integrity and independence of the workers' organizations in negotiating for working agreements with the employers. The right of appeal to arbitration is given in the case of dismissal on account of trade union activities. Representatives of the trade unions may take part in the meetings of these works councils on demand of one-fourth of the members of the council. (Associations of which the employer is a member may also be represented in negotiations with the works council.) There is express provision that the rights of all legal existing workers' organizations shall be preserved. The effort is made to make it clear that the law is meant as an aid and supplement to the trade unions; not as a substitute. The works council can negotiate with the employers only concerning new rules of service, or correction of existing rules, when such negotiations do not conflct with existing agreements formed in other ways.

9. *Rights of Works Councils Respecting Information from Company.* Concerns employing over three hundred workers and fifty salaried employees, must, if these works councils desire, present to the workers' representatives an annual balance sheet showing profits and loss for the last year. In works which have no board of directors, the employer must furnish the council with information affecting all matters involving the workers' interests, and must, if the council desires, present a quarterly report of the standing and progress of the industry in general. In works having a board of directors, the council may have two representatives upon such a board, to gain information as to business conditions. These requirements carry the qualifications that such information as might endanger business secrets, and therefore the welfare of the industry, need not be revealed to the works council. It is also provided that members of the works council are bound to preserve secrecy, upon penalty of heavy fines and imprisonment, respecting all information of a confidential nature revealed to them.

This law went into effect February 4, 1920. Within six weeks from that time all industries were to have elected works councils. The councils were to supersede all existing workers' committees. The law has been generally complied with, and the works councils formed, but there has been a tremendous number of conflicts regarding its interpretations. It is assumed, however, that such conflicts will gradually be settled, and a generally accepted interpretation of the law will be developed.

It was bitterly opposed both by employers and by the workers, and its final form, as summarized above, was a compromise which gave very little satisfaction to either group. The workers' forces are directing their criticism at two or three points in particular. In the first place, they are dissatisfied with the provisions relating to the handling of employment, discharge, and shutdowns in the plants. These were among the most bitterly contested provisions of the bill. The workers, it seems, were particularly anxious to place the control of hiring, firing, transferring of workers, and suspension of work in a joint council in which the men would have at least equal authority with the management. They wished to end the arbitrary control over the personnel which had existed for so long a time. Discrimination against labor leaders and union men could thus have been eliminated, and that security of employment gained which is felt to be so fundamental to the welfare and efficiency of the worker, as well as so necessary if he is to have the courage to carry on his fight fearlessly against the employer.

As the law stands on these points the workers feel that they were defeated. The councils have a right only to cooperate with, and give advice to, the employer respecting policies of employment, discharge, transfers, and shutdowns. They can advise, but the employer is free to reject their advice. The only definite power held by the councils on these points is that given in the summary above, which allows them in certain specified cases to investigate dismissals; "negotiate with the employer concerning them;" and if unable to come to an agreement with him, to have them referred to arbitration. This is of considerable value in the cases specified, but is very limited as compared to the desires of the workers. One German writer says of these provisions: "This fallacy of the law is one of the chief reasons for the passionate

criticisms directed against it by the workers, even in these days. The first supplementary law will have to provide for new regulations of cooperation in shutdowns and dismissals."[21]

A second point which was bitterly contested, was the provision respecting the right of the works council to have inside information respecting the affairs of the business. The Socialists were particularly active in demanding this right. The employers opposed it as dangerous to the welfare of their concern, and therefore the general welfare. The workers do not feel that they were entirely defeated on this point, for, as noted above in the summary, the works councils can demand fairly adequate information in most cases. However, much criticism has been directed toward the provisions that such information must be kept secret by the council. This provision makes it impossible for the representatives to report to the workers the causes for their actions, or to consult with the workers as to their wishes respecting many questions. But under the existing industrial scheme in Germany, the compromise by which the workers' representatives may be informed of the business secrets in their concern seems to the moderate and conservative forces in Germany to be all that any fair-minded worker could expect.

A third and more general criticism which is directed toward the works council law is that the law, as a whole, fails to grant to the workers a sufficient share in the management of the industries to gain the ends desired. It is pointed out that due to the war and subsequent events, the efficiency of German industry has declined to such an extent that the nation as a whole is suffering serious effects. The workers have been demanding a large share in the control of industry. Their efficient cooperation in the reconstruction program can be obtained only at the price of a substantial concession to this demand. It is urged that a share in control sufficient to gain this objective, must be, at the least, equal representation in joint councils in which all matters of interest to the working men, such as wages, hours, conditions, discharges, and discipline would be settled or referred to an approved board of arbitration.

[21]Aufhauser, S., *Annals of the American Academy of Political and Social Science*, Vol. XCII, November, 1920, p. 51.

The fact that the present law does not grant any ultimate authority to the works councils cannot be questioned. In all cases they have power only to cooperate with, or to advise, the employer who is left free to reject their advice. The government's statement in March, 1919, respecting the works council law stated that the law did not intend to curtail the employer's right to run his business as he saw fit. To what extent the works councils, as created, will gain the efficient cooperation of the mass of the workers, we have as yet no very accurate evidence. General press reports seem to indicate that labor troubles have increased rather than abated in Germany.

The trade unions are apprehensive of these new organizations. There has been a considerable amount of labor unrest, breaking out here and there in acute labor troubles, because of the conflict between the trade union forces and the supporters of the works councils. At a Works Council Congress held in Berlin, October, 1920, the power of the trade unions within the works council movement was evidenced by the fact that all the delegates were members of trade unions. This congress discussed the growing dispute as to whether there should be an independent central organization of works councils, or whether such a central organization should be definitely coordinated with the central trade union organizations. The policy of coordination with the trade unions was approved. However, this congress was not convened in accord with any provision of the works council law.

The present relationship between the unions and the works councils has been described as follows:

"The trade unions remain, as formerly, the professional representative of the interests of the workers and employees. However, they have fully realized the necessity of recognizing the industrial council as a new confederate in the emancipation of the workers, and the necessity of making possible a systematic cooperation of council and trade unions. According to this arrangement, the control of production is looked upon as a peculiar field of the industrial councils while the trade unions are making arrangements for the training of the councils. The attempts to create independent organizations of industrial councils separate from the trade unions have not been accompanied by success. On the

contrary, one can definitely state that with the growing importance of the councils, the power of the trade unions has increased simultaneously."[22]

The general attitude of the unions seems to be that the diplomatic course for them to follow is to dominate the works councils and use them to further the interests of organized labor. If this policy is followed successfully, the works councils will become an aid to the unions. The employers in Germany are well organized. The Union of German Employers' Federations is a powerful body, combining 130 national federations of employers, and representing employers of over 4,000,000 workers. The opposition of this union to the works council law was very bitter. Its final modified form was due largely to their efforts. Some light has been thrown on the attitude of the German employers toward the works council law by a secret circular letter which their association sent out. A copy of this letter was obtained by the workers and was published. It stated:

"The plans for a general strike of the employers against the enactment of the works council law have not been carried out, owing to reasons of expediency. It is also not intended to use sabotage against the law. Employers are, however, urgently requested to adopt a strong defensive attitude in the application of the law against all attempts to go beyond the letter of the law made either by the regulations for the enforcement of the law or by the workers. Employers are especially admonished against making concessions in the application of Article 62 of the law (which provides cases where councils need not be formed). In the framing of shop regulations and in the conclusion of collective agreements, employers should not go beyond the bound of legal obligations."[23]

C. Works Council Law of Austria

A law which went into effect July 25, 1919 in Austria, provided for compulsory works councils in all establishments having over twenty employees. The principal functions of these works councils are: attending to the concluding, maintaining, and interpret-

[22] *Monthly Labor Review*, U. S. Bureau of Labor Statistics, March, 1921, p. 130.

[23] *Ibid.*, p. 131.

ing of collective agreements in cooperation with trade unions; fixing piece-work, time, and average and minimum wages, where not fixed by agreements; cooperating in the concluding and amending of labor contracts; supervising enforcement of labor laws; cooperating in maintaining discipline; examining pay-rolls and controlling payment of wages; and participating in management of all welfare institutions.

Among the privileges which the law accords to the works councils are the right to appeal, if they desire, to a Board of Conciliation for settlement of cases of discharge for political or trade union affiliations; to demand a yearly balance sheet, a profit and loss account, and statistics of wages paid in establishments having thirty or more employees; and in joint stock companies to elect two members to the Board of Directors.

All employees over eighteen, employed at least one month, can vote; but to be eligible to the council an employee must be twenty-four years of age and have been employed in the works at least six months. One-fourth of the council may be elected from members of the Executive Committee of a trade union to which the employees in the works belong.

Arbeiterkammern, or Workers' Chambers, have also been created in Austria since the war. Members are elected by the workers in a community. The functions of these Chambers are "to give reports, memoranda, and proposals concerning the regulation and protection of labor, workers' insurance, and aid for workers, to the authorities and legislative corporations for use in compulsory labor statistics, in welfare work, etc."[24]

Respecting the working of the Austrian councils, Dr. Hoffman Ostenhof[25] says that the "fears of this institution expressed by some are unfounded;" they are developing into a "useful medium between employer and employee."[26]

D. Further Developments in Europe

At the ninth Trade Union Congress held in Christiania, Norway, July, 1920, a resolution was passed favoring the creation of

[24]Ostenhof, Hoffman, "Social Policy in the Republic of Austria," supplement to the *Annals of the American Academy of Political and Social Science*, November, 1921, p. 56.

[25]*Ibid.*, p. 58.

[26]*Ibid.*

works councils as a means whereby the workers should be prepared, through greater knowledge of the management of industry, to make the socialization of all industries a success.

The Norwegian trade unions are dominated by the Socialists, as is also the Norwegian Labor Party. These groups are professedly engaged in a fight for a new social order in which the working classes will gain political and economic control. In response to the pressure brought by the workers, a Works Council Law was enacted in Norway, July 22, 1920.[27]

All public and private concerns employing over fifty workers are included in the scope of the law, "provided such concerns (1) come under the law of September 18, 1915, as to the protection of industrial workpeople, or (2) have for their object the working of railway, tramway, telegraph, or telephone services." The King may extend the law to all concerns.

Works councils of at least two and not over ten members are to be elected by the workers over eighteen years of age in each works. Two years of service and the age of 21 are the qualifications required of members of the councils.

These councils have only an advisory power. Before coming to a decision on certain matters, the employer must consult with the works council. These matters include changes in management which affect working conditions; scales of pay, hours, overtime, piece-work rates, holidays, and other working conditions, unless agreements exist between the workpeople and employer respecting these matters; workshop regulations and additions or changes therein; and setting up or managing of welfare institutions, such as sick funds, and housing. The council has the right to act as conciliator in any dispute between workpeople and the employer, if they involve working conditions or dismissal.

Works councils are provided for in Czecho-Slovakian factories by a law passed by the Czecho-Slovakian Senate, August 12, 1921, which became effective January 1, 1922. It does not apply to state establishments, but to all other establishments employing over thirty people. These councils have functions similar to those provided for in the Norwegian and German laws. Some of their special duties are: the caring for the social, economic, and intel-

[27] "Works Council in Norway: New Act," *Labor Gazette* (London), August, 1920, p. 423.

lectual interests of the workers, which includes the making of agreements regarding hours, wages, and the enforcement of such agreements; the examining of the pay-rolls of the concern; the enforcement of arbitration decrees and labor laws; the assisting in settling cases of large scale dismissal of employees, not due to working conditions; the maintaining of good relations between employers and employees and among the employees; and the managing of philanthropic utilities within the concern. In establishments employing 300 or more workers, or fifty or more clerks, the council can demand to see the company's accounts. In limited or joint stock companies employing 200 or more workers, the works council is entitled to one representative on the Board of Directors, but such representative cannot vote. A strong demand for works councils has developed in Italy in the past few years, and a law providing for them was, in February, 1921, barely defeated in the Italian Chamber of Deputies.

CHAPTER II

THE NON-UNION COUNCIL MOVEMENT IN THE UNITED STATES

There are over seven hundred industrial firms in the United States which have in operation at the present time some plan for extending to their employees a share in the management and control of the industry. The names given to these plans are almost as numerous as the plans. In the course of this discussion, the terms, "councils," "council movement," or "plans of joint industrial management," are used as convenient general expressions to designate this whole group of joint works councils, joint committees, works councils, shop committees, etc., which are the subject of this study.[1]

The essential feature which these many plans have in common is that they all extend to the employees, through their elected representatives, a greater opportunity to exercise a share in the management of their respective industry. This is accomplished either by allowing them direct exercise of authority or greater opportunity to present to those having final authority, their views upon matters directly affecting their welfare. The latter, as is shown later, may be as effective a method of attaining a share in control as the former.

A. Early History of Non-union Council Plans in the United States

It has been suggested that long before the growth of any definite plans for employee representation in management, there were many plants in the United States in which various committees of

[1]Examples of these names are: "Cooperative Association," "Employees' Representation Plan," "Conference Plan," "Employees' Cooperative Plan," "Joint Conference Committee," "Mutual Aid Society," "Industrial Partnership Plan," "Industrial Representation Committee Plan," "Representative Industrial Congress," "Plan of Industrial Democracy," "Cooperative Welfare Association," "Plan of Shop Control by Joint Representation," "Industrial Council Plan," "Plant Committee Plan," "Shop Committee Plan," "Plan of Industrial Relations," "Cooperative Management," "Democratic Industrial Government," "Industrial Constitution," "Employees' Conference Committee," "Partnership Plan," "Joint Representation of Employees and Management."

the workers were administering different welfare and benefit association activities. That such committees have existed, and do exist, is perhaps true; but that the definite plans for industrial councils, herein studied, were in any way an outgrowth of the experience with such welfare committees seems to be improbable.

In the course of this study a questionnaire was sent out in which the following questions were asked: "Did you have any committee of your workers sharing in any way in the control or administration of any activities in your industry prior to the adoption of your present plan of employee representation? If so, can your present plan be said to be in any respect a result of your experience with such committees?" Replies were received from sixty-three companies. All but the Filene Co. of Boston answered the latter question in the negative. Only three reported having had any workers' committees previous to their present plan. If these answers may be considered to any degree indicative of the situation as a whole, it may be concluded that the movement toward the adoption of council plans in the United States has been, on the whole, an abrupt change in the labor policies of the firms involved.

One example of a gradually evolved non-union joint council plan in the United States is that of the Filene and Co. department store in Boston, Mass., a large retail store with about 3,000 employees. This plan is also probably the earliest example of a successful non-union council plan in the United States. It began in 1898 with a committee of employees which assisted in the administration of an insurance plan and a medical clinic. New committees were created to carry on other activities after the success of this first one was observed. Education, library, health, and suggestion committees were added in 1899. An entertainment committee was added in 1900, and a clubhouse committee in 1901. Up to this point the employees were sharing only in what is commonly referred to as welfare work. However, in 1901, an important step was taken by the formation of the arbitration board. Still later, committees were formed to handle special subjects, as the one created in 1902 for publicity, and in 1903 for athletics. In 1905, another larger step in the direction of democratic industrial management was taken by the formation of the Filene Cooperative Association Council, which was a legislative body. In

1906, a music committee was formed, and in 1912, a committee on cooperative supply. Finally in 1920, the Filene cooperative association benefit society came into existence.

This sketch of the development of the Filene cooperative association shows that it has gone through a gradual evolution. As the need or advantage of new extensions of power to the employees was seen, and the ability of the employees to shoulder such new responsibilities was demonstrated, the extensions were made and the new responsibilities given. Because it is probably the oldest and at the same time one of the most thoroughly democratic and most successful of non-union plans for joint industrial management in America, the Filene plan is here described at length.

All employees, including salaried officials, by virtue of being employed in the store, are members of the Filene cooperative association, hereafter designated as the F. C. A. The F. C. A. is a "self-governing body operating under a charter, constitution, and by-laws." It elects its own officers by popular vote, and has an executive secretary who gives his entire time to directing the work of the association. He is chosen by, and is responsible to, the F. C. A., but is paid by the company.

The F. C. A. arbitration board is composed of twelve members, elected by and from the employees, with one from each section of the store. Any matter upon which an employee is dissatisfied may be appealed by him to this board. This matter may be a dispute between an employee and the company; between two employees; or between an employee and the F. C. A. In settling all matters brought before this board, a majority vote is final. It is given specific jurisdiction in cases of discharge, wage reductions, transfers, promotion, wages, missing sales, shortages, lost packages, breakages, vacation wages, insurance payments, judgments of the suggestion committee, and disputes between employers. Disputes between an executive of the F. C. A. and the company may, if desired, be sent to a special arbitration committee of three, one being chosen by the F. C. A.; one by the company; and one by these two.

The F. C. A. may "initiate new store rules or modifications or cancellations of existing store rules concerning store discipline, working conditions, or relations, or any other matter, excepting

policies of the business, by a two-thirds vote of the entire membership." The management has the power of veto. The measure can then be passed only by a two-thirds vote of the entire membership of the F. C. A. after at least one mass meeting has been held for discussing this measure.

The F. C. A. council is composed of twenty-three members. This council functions as the legislative organ of the association. Twelve of its members are elected; the other eleven are the four officers of the F. C. A., the four employee members of the Board of Directors, and the presidents of the Men's Club, Women's Club, and Girl's Club. This council may perform the same duties designated above for the F. C. A. as a whole, with the exception that it can pass a measure only by five-sixths vote and any measure must be referred to a referendum vote of the entire association if 4% of the members petition for such a referendum.

There are eleven members on the Board of Directors. The employees nominate six members for this board, and the stockholders of the company choose four from this panel of six. These four employee members have the same powers as the ones representing the employers.

Certain significant facts may be noted in this plan. Although the officers of the company are members of the F. C. A.; can vote; and can hold office, they are in any section numerically weak. They have no assurance, therefore, of any representation on the council or the arbitration board. Moreover, any matter, "excepting business policies," may be the subject of ruling which can be passed over the management's veto by a two-thirds vote of the F. C. A.

Another early example of a non-union council plan was that founded in 1904 by the Nernst Lamp Company of Pittsburg. This plan created a "factory committee" on which the clerical force, the workers, the foremen, and the management were represented. It has long since been adandoned.[2]

A third instance of a plan for joint industrial control was that instituted in 1907 by the Nelson Valve Co. of Philadelphia. This plan had two bodies which were similar to the "Senate" and the "House of Representatives" of the Leitch plans to be described

[2] "Works Councils in the United States," published by the National Industrial Conference Board, *Research Report*, No. 21, October, 1919, p. 5.

later. In this case they were called the "Upper House," and the "Lower House." The "Upper House" was composed of foremen, and the "Lower House" of representatives, elected by the men in each shop. This plan has also been abandoned.[3]

In 1911, the Philadelphia Rapid Transit Co., which was at that time on the verge of bankruptcy, passed over to a new management. The new management organized what was called "The Co-operative Welfare Association" among the 10,000 employees of the company, as a definite effort to gain their cooperation, which it considered to be the first and most important step toward success.

In 1912, the Milwaukee Electric Railway followed the example of the Philadelphia Rapid Transit Co. and organized what they called an "Employees' Mutual Benefit Association" which was similar to the Philadelphia plan.

In 1913, a new factor appeared, destined to play an important role in the future of the movement toward joint industrial management in the United States. This new factor was the advent of an "industrial evangelist," preaching a doctrine of industrial democracy. Since 1913, John Leitch has installed many plans of joint industrial management, and many of them have been very successful. Because of the important role played by Mr. Leitch in the furthering of the movement toward joint industrial control, and because the Packard Piano Co. plan is one of the most successful of the Leitch plans, and is fairly typical of all that he has installed, it is here described at length. The story of the adoption of the Packard Piano Co. plan is typical of what has taken place in a score or more of other plants where Mr. Leitch has installed similar plans.

Late in the year 1912, the Packard Piano Co. had serious labor troubles, leaving the plant heavily burdened with a load of ill will, suspicion, and mistrust on the part of its working force. The efficiency of the plant was very low. The management called in Mr. Leitch to establish its industrial relations policy upon a sound basis and gain the good will and cooperation of the men. Leitch studied the plant and conditions; became acquainted with the men; held several mass meetings; and proposed his plan of joint industrial management, which the men voted to adopt.

[3] *Ibid.*

He proposed that the plan be based upon the four corner stones: Cooperation, Justice, Economy, and Energy, and that the capstone be Service. These are the principles to which this "industrial evangelist" always strives to convert the management and men before he installs his plan of industrial democracy. The plan which he installed in the Packard Piano Co. is as follows:

There are a House of Representatives, elected from and by the workers; a Senate, elected from and by the foremen; and a Cabinet, composed of the officials of the company. Certain qualifications as to age, citizenship, length of service with the company, etc. are required of the voter, and higher qualifications of the same nature of the one holding office as a representative or Senator. Either House can initiate measures, there being no limitation to the matters with which they can deal. In order to become a law, a measure must pass both Houses and be approved by the Cabinet. This power of veto on the part of the management has seldom, if ever, been used in the many Leitch plans in operation, and has, therefore, not been as significant a factor as might be assumed. Under the operation of this plan, cooperation, good will, and a resulting tremendous gain in efficiency are reported in extravagant terms by the Packard Piano Co. officials.

It is not intended to imply here that all the plans known as the Leitch plans are in every detail like the one described above. In some plans there is no Senate; in others, the Senators are elected from the men. In some plants joint committees from the House, Senate, and Cabinet, or House and Cabinet, do much of the important business. Each plan has always been adapted to the needs of the particular plant.

In 1914, four plans of joint industrial management were adopted: one by the Geometric Tool Co. of New Haven, Conn.; one by the Pilgrim Laundry Co. in Brooklyn, N. Y.; one by the White Motor Co. of Cleveland; and another by the Printz-Biederman Co.

In 1915, the Colorado Fuel and Iron Co. adopted a plan as a result of the disastrous strike of 1915. Following the strike, the Rockefeller Foundation was requested to make a study of industrial relations and work out a plan for establishing these relations upon a sound basis. A plan for joint industrial manage-

ment was worked out and in October, 1915, was adopted in mines located in Colorado and Wyoming. These mines employed about 14,000 workers. The plan was also adopted in the company's steel works in Colorado.

Other plans adopted in 1915 were those of the Joseph Feiss Co. of Cleveland, the Plimpton Press, and the Nunn, Bush, and Weldon Shoe Co.

In 1916 and 1917, according to records at hand, there were at least four council plans adopted. These were the plans adopted by the Harris Engineering Co. of Bridgeport, Conn. (1916) and the Davis Coal and Coke Co. of Cumberland, Md. (1916), and the Leitch plans installed in the William Demuth and Co.'s plant in New York (1917) and the Sidney Blumenthal and Co.'s plant in Shelton, Conn. (1917).

B. The Period of Rapid Expansion

The growth of non-union joint council plans was very slow up to the end of 1917. The year 1918 marks the beginning of a period of rapid expansion in this movement, which rapid growth has continued up to the present time.

1. *Rapid Increase of Voluntary Plans.* To the year 1918, all plans had been voluntarily adopted by employers as a possible solution to the problem of gaining improved industrial relations. Many of the plans formed in 1918 and 1919 were also adopted voluntarily by employers as a means of settling their labor troubles. The rapid increase in the number of these voluntarily adopted plans seems to have been due very largely to three causes. In the first place, labor problems were becoming more and more acute all through the country. Industrial unrest was at its height, and the number of strikes was increasing rapidly. Labor turnover was a serious problem to many concerns. Employers were grasping at any possible solution to these problems. A second influence was the widely advertised success of a number of the joint council plans already in existence. The third cause was the activity of certain government boards which had helped to advertise and recommend the idea of joint industrial management.

2. *Work of the National War Labor Board.* In the spring of 1918, when the problem of labor unrest had grown quite acute and there was much inefficiency because of strikes and high labor

turnover, the President of the United States created the National War Labor Board. This Board was to "act as a court of last resort in industrial disputes in which war production was threatened." The creation of this Board and its activities are, therefore, properly regarded as the result of the desire to gain the cooperation of labor to the end of more efficient production and more effective prosecution of the war.

This Board early adopted the policy of furthering the formation of joint committees, composed of representatives from the management and representatives elected by the men, in the various establishments coming under their jurisdiction. In accord with this policy, many awards requiring such committees were handed down. The following excerpts are typical of the provisions made in the National War Labor Board's awards for the formation of joint committees:

"The election by the workers of their representative department committees to present grievances and mediate with the Company shall be held, during the life of this award, in some convenient public building in the neighborhood of the plant, to be selected by the Examiner of this Board assigned to supervise the execution of this award, or, in case of his absence, by some impartial person, a resident of Pittsfield, to be selected by such Examiner.

"The duties of the department committees shall be confined to the adjustment of disputes which the shop foremen and the division superintendents and the employees have been unable to adjust.

"The department committee shall meet annually and shall select from among its number three employees who shall be known as the committee on appeals. This committee shall meet with the management for the purpose of adjusting disputes which the department committees have failed to adjust.

"It is understood by employer and employees that a dispute involving one or two persons shall be first taken up by the individuals with their foremen. Disputes involving more than two persons may be taken up first with the foremen, or by the department committee, as the persons interested may elect."[4]

[4] *National War Labor Board Award and Rulings*, in reference to the General Electric Company, Pittsfield Works, pp. 10-11.

These passages show that the National War Labor Board awards provided only in a general way for the creation of joint committees. A member or representative of the Board was generally sent to assist in the study of the local conditions, and in forming a plan adapted to local needs.

The first award of the National War Labor Board providing for the creation of committees was in the case of the General Electric Company's Lynn Works. That award provided:

1. For the election of department committees by all workers in a department; each department committee to meet with representatives of the management to settle disputes.

2. That these department committees meet and choose a committee of three to meet with the management as a joint committee on appeals.

3. That the duties of these committees be "confined to the adjustment of disputes."

This general award was carried into effect under the supervision, and with the assistance, of a representative of the War Labor Board. The plan, as worked out to fit the local needs in this case, has the following main provisions:

1. Each plant is divided into "sections." Each section contains 200 workers.

2. Each section elects semi-annually two representatives.

3. All employees in service three months or over can vote.

4. Any employee, who is an American citizen over 18 years of age able to read and write the English language, and who has had at least one year of service with the company, is eligible to hold office as a representative.

5. These two representatives constitute a "Committee on Fair Dealing."

6. The "Sections" are grouped into "shops." The representatives, elected by the sections in a shop, meet and elect three of their members to a joint shop committee on which there are three members of the management.

7. All the elected representatives in the concern choose four workers to serve on a general joint committee on which there are also four representatives of the management.

8. Several general joint special committees are created to deal with special matters.

9. All matters which the workers or management desire adjusted are considered by these committees. The joint shop committee can settle a matter if its decision is satisfactory to all concerned. If not, the matter can be appealed to the general joint committee and there settled by a decision satisfactory to all concerned, or by a unanimous vote which is final. If the general joint committee fails to settle any matter, it is referred to the management for consideration.

During the years 1918 and 1919, plans for joint committees were adopted under the supervision of the National War Labor Board by approximately one hundred firms.

3. *Work of the Shipbuilding Labor Adjustment Board.* Somewhat similar to the work of the National War Labor Board was the work of the Shipbuilding Labor Adjustment Board, which was organized in 1917 as a means to gain a "fair and honest adjustment of individual and group interests in such a way as to secure from labor the heartiest cooperation in meeting the emergency, and willing effort to bring about maximum output of ships."

This Board was composed of three members: a representative of the Emergency Fleet Corporation, a representative of the public, and a representative of organized labor. It was approved at a meeting at which nearly all of the unions involved in shipbuilding were present. It was given final authority to adjust industrial relations between employers and employees engaged in "construction or repair of shipbuilding plants or of ships or shipyards under the United States Shipping Board, Emergency Fleet Corporation, or with said Board." In practice it was called to adjust matters for many private concerns doing government work.[5]

In many of the shipyards, shop committees of various types were found by this Board to be already in existence. However, in some yards the Board found much objection to the creating of shop committees. "Partly because of these objections, provisions for committees were omitted from some of the early awards. Therefore, at the time of the October, 1918, awards,

[5]"History of the Shipbuilding Labor Adjustment Board," *Bulletin of the U. S. Bureau of Labor Statistics,* No. 283, p. 8.

shop committees were functioning with varying degrees of success in some of the districts, whereas in other districts there were no committees at all.

"The peculiar circumstances created by the war . . . . . resulted in practically complete organization of shipyard workers. In the absence of shop committees complaints came to be handled through local officers of the union, and a situation developed in yards where there had been no committees in which employers were anxious for committees, and union representatives were reluctant to have them introduced.

"As above noted, the October, 1918, award for the Atlantic, Gulf, and Great Lakes territories contained a blanket provision for shop committees in all yards. The award provided for the election by secret ballot of committees made up of three members for each of the different shipyard crafts with a further provision that the chairmen of the craft committees should constitute a joint shop committee. The October award was effective in introducing the shop committee system into practically the whole shipyard industry."[6]

The essential provisions of this October award may be summarized as follows:[7]

1. Employees of each craft or calling in any shop or yard to elect a committee of three from their own numbers.

2. Committee members to be elected by secret ballot; to hold office for six months; and to be eligible for re-election.

3. The chairman of each of these craft shop committees to be members of a joint shop committee.

4. The joint shop committee to elect five of its members to form an executive committee to negotiate with the representatives of the management.

5. Grievances to go first to the craft shop committee and the foreman. Failing of an adjustment, then to the shop committee and the superintendent. If the matter still remains unsettled, the executive committee of the joint shop committee can take it up with the superintendent or the high officials of the company in joint conference.

[6] *Ibid.*, p. 63.

[7] Wolfe, A. B., *Works Committees and Joint Industrial Councils*, pp. 117, 118.

6. Disputes which cannot be settled by these methods, to be submitted for arbitration by the district examiner.

These committees at first met much opposition in some yards where the customary procedure was to settle all matters needing adjustment through the union officials. But "unionization in the great majority of the yards progressed so rapidly that at an early date the committees came to be made up almost exclusively of union men."[8] Many of the committees created by this Board thus became union, rather than non-union committees. However, the basis for election was not union membership; any employees were eligible. Therefore in cases where the men were not all organized, the committees were non-union in the sense in which that term is here used.

The scope and functions of these committees were completely limited because of the detailed specifications contained in the Board's awards respecting wages, hours, conditions of work, etc. Nevertheless, the multiplicity of complex problems arising from the abnormal war situation "gave these committees nearly as great opportunity for constructive work as they would be likely to obtain in general industry under normal conditions."[9]

C. The Continued Growth of the Council Movement

The main developments in the movement toward non-union committee plans have now been traced to the year 1920. Three outstanding characteristics of the movement during this early period may be noted:

1. It had been a movement fostered almost entirely by employers and the government as a means to gain industrial peace, the good will and cooperation of labor, and increased efficiency.

2. These measures were taken in the face of abnormal emergency conditions, in a period when the laborer had the upper hand, and the employer was anxious to conciliate differences with him; and also in a period when there was much industrial unrest and resulting inefficiency.

3. The desire to check the rapid spread of unionism was also an important factor.

The question oftentimes raised in the last three years has been whether or not the council movement would die out in the face

[8] "History of the Shipbuilding Labor Adjustment Board," *Bulletin of the U. S. Bureau of Labor Statistics*, No. 283, p. 66.

[9] *Ibid.*, pp. 65, 66.

of new conditions which have developed since the war. Many have prophesied that when the employer gained the upper hand he would no longer offer to labor any representation upon councils and committees to share in the control of industrial relations, but would eagerly hurry back to pre-war autocratic industrial management.

This opinion implied two things: first, that employers already having council plans would abandon them; and second, that new ones would not spring up. Neither of these assumptions has proved true. A number of council plans have been abandoned, it is true. Many of the awards of the War Labor Board and the Shipbuilding Labor Adjustment Board were necessarily of a temporary character, applying as they did primarily to war industries in which serious depression would naturally follow after the war, and being imposed as they were, in many cases, on unwilling employers and antagonistic union laborers. However, even in the case of these plans, it seems that the majority of them have been retained. Letters sent out to fifty firms having plans imposed by government boards revealed that only twelve have been abandoned.

The most significant fact remains to be noted. The movement, instead of retrogressing in the period of depression when employers have again held the upper hand, has gained momentum. It may be safely stated that the number of plans in operation has more than doubled since 1919. The National Industrial Conference Board, which has followed the growth of the movement among its members, has estimated that while in 1919 there were 225 plans in operation, there are now at least 725.[10]

Turning to the large number of voluntarily adopted plans cited above, only an insignificant number of these have been abandoned. Inquiry has been made into the present status of over one hundred such plans. The management in the vast majority of firms having these plans has been found enthusiastic in its praise of the council system.

It is also significant to notice that many of the firms corresponded with have apologized for the cursory nature of their replies, and have explained that the inquiries coming to them

[10] *Experience with Works Councils in the United States*, research report, National Industrial Conference Board, No. 50, May, 1922, p. 1.

from all parts of the United States and foreign countries concerning their council plans have been so numerous that they cannot take the time to answer them all adequately. A very considerable number, probably fifty or more, have sent printed pamphlets which have been prepared to meet this demand for information.

There are five major causes of this recent rapid growth of the non-union council movement in the United States. In the first place, employers have found that these plans, evolved to gain the good will and cooperation of labor in a period of emergency, are a success. Since the good will and cooperation of labor and the resulting efficiency are equally desirable in peace or war, they have assigned to such plans a permanent place in their system of personnel management.

A second cause is to be found in the widespread advertisement of the success of many of the council plans adopted during the war and immediate pre-war periods. A glance at the bibliography appended to this study will reveal the profusion of magazine articles on this subject which have been broadcasted during the last four or five years. These numerous articles have almost unanimously proclaimed the virtues and great success of such plans.

The phenomenal growth of the science of personnel management in American industries in recent years has been a third contributing factor. The various non-union council plans herein studied are typically a part of the firm's system of personnel management. Rapid advance has been made in this field, and there has been a resulting change in the attitude of American business men toward the problem of the scientific application of the human factor in production. This has resulted in a tremendous increase in the number of firms having a personnel department with a personnel manager at the head, and in the number of industrial engineers whose services are regularly obtained by individual firms. This expanding group of personnel experts and industrial engineers has quite generally favored the principle of more democratic industrial management through the medium of shop committees and works councils.

In the fourth place, industrial unrest, always the fundamental force impelling employers to greater efforts in the direction of

scientific personnel management, was present oftentimes in threatening proportions during the post-war reconstruction period.

Finally, there is no doubt concerning the fact that the non-union council movement in the United States has been largely an anti-union movement. The adoption of employee representation plans has been, in many cases, a move which has had as its immediate purpose either the undermining of existing unionism in the industry or plant, or the avoidance of unionism which appeared imminent.[11] Moreover, these councils have generally been a success in accomplishing this purpose. When this purpose exists a period like the present, in which the employer has the upper hand in the labor situation, is the most appropriate time for initiating council plans. The success of certain large packing concerns in breaking the strength of the unions by the adoption of a council plan is a case in point.

D. Description of Non-union Council Plans in the United States

One outstanding characteristic of American council plans is their lack of uniformity. The majority of these have been adopted voluntarily, and without the influence of any unifying or dominating force. The result has been that there are almost as many types of plans as there are plans in existence. A very slight divergence in the wording of a constitution may suffice to produce important differences between two otherwise similar plans. As a consequence of these facts, any attempt to group all council plans under a certain broad classification, such as the "War Labor Board Type," the "Shipbuilding Labor Adjustment Board Type," "Company Unions," the "Governmental Type," or the "Committee Type," is very unscientific and misleading.

The National War Labor Board merely suggested the general outlines of plans, and left it to the companies to adapt the plan to the local need. There can hardly be found any two of the so-called "Governmental Types" that have all the three bodies: House, Senate, and Cabinet; that have these elected on a similar basis; or that provide for the important work to be carried on in a similar way. For example, a plan may have both a House and

[11] See Chapter VI.

Senate, but also provide for joint committees which perform all, or most, of the important work. The essential features of such a plan are radically different from one in which the House and Senate perform the important work, subject to a veto of the management.

Nearly all of the so-called "Company Unions," or "Employee Associations" have been so named because there exists a definite organization of all the employees. However, very few of these provide for any meetings other than those of the elected councils or committees. The result is, therefore, the same as in other plans which have no definite general organization, but in which all employees vote for council or committee members. Where there does exist an active organization of all employees, it may be a very important feature of the plan, but to indicate that all plans having such an organization are similar in their most essential features would be very far from the truth.

Some of these titles mentioned do have historical value, in that they indicate the origin of the plan. The so-called Governmental or Leitch plan, the National War Labor Board type, the Shipbuilding Labor Adjustment Board type, and the Company Union type (Filene's) have been described in the historical sketch above.

1. *Description of Council Plans According to Form.* At the beginning of the present chapter reference was made to the great variety of names given to American non-union council plans. It is also true that there exists a tremendous variation in the use of terms applied to the various divisions and subdivisions. The result is that this prevailing terminology conveys no reliable information as to the character of the respective plan. It is highly desirable, therefore, that more uniformity in the matter of terminology be developed.

In the course of this investigation, a chart was made of the form of organization of one hundred American non-union council plans. From this chart was derived the following terminology which describes with considerable accuracy the most important functioning representative bodies provided for in the plans included:

General Joint Council (representatives of workers and management), comprising several works or plants under one management. Example: International Harvester Co.'s 21 plants.

Joint Works Council (representatives of workers and management), and a Works Council (representatives of workers only), for an entire works or plant. Most companies have but one plant.

Joint Shop Committees (representatives of workers and management), and Shop Committees (representatives of workers only), for a shop or other minor division of a works, such as a department or section.

Joint Special Committees (representatives of workers and management), and Special Committees (representatives of workers only), comprising committees created to handle specific subjects.

It has been found impossible to make any simplified classification of council plans which is based upon this or any other available terminology. In fact, of the many councils investigated, hardly any two have essentially the same type of organization. They all have some combination of the forms of representative bodies designated in the terminology outlined above, but only a very few have the same combination. Therefore, the following description of council plans cannot be offered as a classification in which a large number may be included; it is offered as an accurate description, stated in uniform terminology, of the form of organization of twelve local non-union councils. From this description there may be obtained an adequate idea of the general character of American non-union council plans.

Typical Plans

International Harvester Co.

Form: Joint Works Council and General Joint Council

The joint works council is composed "of representatives elected by the employees, and of representatives appointed by the management." The latter must never exceed the number of employee representatives. There is one employee representative for each 200 employees.

If matters affecting several works arise, the president calls together the general joint council which is composed of two or more representatives chosen by and from each works council, and management representatives appointed by the management. There is one employee representative for each 1,000 employees or fraction thereof. There must never be less than two from each works.

Standard Oil Co. (Indiana)

Form: Joint Works Council, General Joint Council, and Joint Special Committees

The joint works councils of these typical plans are composed of representatives elected by the employees, and management representatives appointed by the management. The number of the latter may be equal to, but must never exceed, the number of employees' representatives.

According to the plan of the Standard Oil Co. (Indiana), each plant is divided according to departments and natural divisions. One representative is allowed for each 200 men in works that have in their employ over 2,000 workers. In those having less than 2,000 there is one representative to each 150 men.

The general joint council is composed of all employee representatives of the joint works councils of each works, the chairman of the Board of Directors, the president and other officers of the company, as may be directed.

This company provides that joint special committees be formed by the joint works council, and be composed of employee and management representatives, the latter equaling, but not exceeding, the number of the former.

Midvale Steel and Ordnance Co., Cambria Steel Co., and subsidiary companies

Form: Shop Committees, Works Council, and General Joint Council

In this plan the shop committees are composed of representatives elected by the men in each shop. There is one representative to each 300 men.

The works council is composed of employee representatives elected by and from the members of the shop committees on the basis of one representative for each 3,000 employees. Each works council must have at least three members.

The members of the general joint council are the general superintendents of all the plants of the company and all members of the works council of each plant of the company. In this body, one vote is cast for the company and one for the employees. The president of the company and other officials may meet with the council at any time.

S. F. Bowser and Co.

Form: Works Council, Joint Works Council, and Joint Special Committees

The joint works councils of these companies are composed of representatives elected by employees, and of appointed management representatives.

This plant is divided into ten sections, with representatives elected from each fifty employees. The number of management representatives "must not be more than, nor less than half of, the number of employee representatives."

This company has four joint special committees: the joint committee on rules, procedure and elections, the joint committee on adjustment, the joint committee on industrial conditions, and the joint committee of final appeals. The two first committees have six members each. Three are elected by the employee representatives and three by the employer representatives of the joint works council. The joint committee on industrial conditions is composed of ten members: five elected by and from the employee representatives of the joint works council, and five by and from the employer representatives of this council. The joint committee of final appeals has five members. Two are appointed by the president of the company; two are elected from employees by the employee members of the joint works council; and the fifth is an employee chosen by these four.

Proctor and Gamble Co.

Form: Works Council, Joint Works Council, and Joint Special Committees

The members of the works council are elected by the employees in the different departments or sections of the plant. The constitution of the Proctor and Gamble Co. provides that the works council shall be elected on the basis of one representative to each fifty employees. In this company an executive council is formed in order to obtain a small governing body. It is composed of the chairman and vice-president of the works council and five employee representatives appointed by the chairman.

The joint works council is composed of the employee members of the works council and management representatives appointed by the management; however, the number of the management representatives must not exceed one-half the number of employee representatives.

The joint special committees are composed of five members: four employee representatives, and one management representative appointed by the chairman of the executive council.

Intertype Corporation

Form: Shop Committees and Joint Works Council.

In this plan there is one shop committee (department committee) for each department, the representative on the committee being elected by the employees of the department, on the basis of one for each twenty-five employees.

The joint works council is composed of the chairmen of the different shop committees; members of the foremen's committee, which is a committee of five foremen, elected by the foremen in the plant; and five management representatives, appointed by the management.

Westinghouse Electric and Manufacturing Co.

Form: Joint Shop Committees, Joint Works Council, and Joint Executive Committee.

The members of the joint shop committees are elected by employees in the precincts into which the departments are divided, the number elected being in proportion to the number of employees. The number of management representatives may equal, but not exceed, the number of employee representatives.

The joint works council (works joint conference committee) consists of all the members of the joint shop committees and all district committeemen. The latter are elected by and from the factory clerks in the various districts, on the basis of one to each district.

This plan also provides for a small joint governing body, called the executive committee, composed of twelve employee representatives, elected by and from the members of the joint works council; the same or a less number of management representatives, appointed by the management; and one factory clerk, elected by the factory clerk district committeemen.

Bethlehem Steel Corporation

Form: Works Council, Joint Special Committees, and Special Committees.

The works council must never have less than ten members. Its members are elected on the following basis:

No. of employees in plant	*No. of representatives*
Under 1500	One representative for each 100
1500 to 10,000	One representative for each 200
Over 10,000	One representative for each 300

This company has fourteen special committees (employees only) on the following subjects: rules; ways and means; safety and prevention of accidents; practice methods and economy; employees' transportation; wages, piece work, bonus, and tonnage schedules; employment and working conditions; housing, domestic economies and living conditions; health and works sanitation; education and publications; pensions and relief; athletics and recreation; continuous employment; and condition of industry. These committees are composed of five members each, elected by and from the members of the works council. There is also a general committee composed of the chairman and secretary of the works council.

The joint special committees of this plant are formed by adding to the special committees management representatives appointed by the management, whose number may equal, but not exceed, the number of employee representatives. The joint general committee acts as a committee on appeal.

Bridgeport Brass Co. and The Standard Brass and Copper Tube Co.

Form: Joint Shop Committees, Joint Works Council, General Joint Council, and Joint Special Committees

In this plan, there are two bodies which may be appropriately called joint shop committees. These are the division committees and group committees. Before an explanation of the constitution of these can be given, it is necessary to explain the basis of representation. The plant is divided into departments, with one representative elected for each 100 employees. There must be at least one representative to each department. The employee members of the division committees are the representatives elected by those in the different divisions. An equal number of employer representatives are appointed by the management. The group committees are composed of all the duly elected department employees' representatives, and an equal number of appointed management representatives.

All duly elected employee representatives in each works and an equal number of employer representatives, appointed by the management, compose one of the joint works councils of this plant, the plant committee. The other joint works council is the executive committee, a smaller body of ten members. Five of these members are elected by and from employee representatives of the joint works council, and five appointed by the management.

Matters involving several works may be discussed by the general joint council (general committee), consisting of all elected employee representatives of each works and an equal number of employer representatives appointed by the management.

The joint special committees are composed principally of members of the joint works council. Some may be employees who are not representatives. In this case they become associate members of the joint works council and general joint council with no power to vote.

Elgin National Watch Co.

Form: Works Council and Joint Works Council

The works council of the Elgin Watch Co. is composed of nineteen employees, one elected from each department in the factory. The joint works council is composed of the members of the works council and management representatives.

The Remington Arms Union Metallic Cartridge Co., Inc.

Form: Shop Committees, Joint Shop Committees, Works Council, and Joint Works Council

This plan is an example of the Bridgeport Employees' Committee plan which is used by a number of companies in Bridgeport, Conn.

The plant is divided into departments. The shop committees (employees' departmental committees) are committees of three representatives for each department, elected by the employees in that department.

The joint shop committees are composed of shop committeemen and employer representatives appointed by the management, the number of the latter being equal to, but not exceeding, the number of employee representatives.

The governing bodies, properly classified as works councils, are the employees' general committee and the executive committee.

The employees' general committee consists of the chairmen of all the shop committees. The executive committee is composed of five members. For this election the plant is divided into five sections, one executive councilman being elected by the employees' general committeemen in each section.

The members of the executive committee and an equal number of employer representatives compose the joint works council.

General Electric Co., Lynn Works

Form: Joint Shop Committees, and Joint Special Committees

The method of electing employee members of the joint shop committees differs somewhat from any method as yet given. These members are chosen by elected representatives. The works is divided into sections of about 200 employees. These are then grouped into shops, each shop being composed of about three sections, or 600 employees. Two employees are elected from each section, making six representatives to a shop. These shop representatives, in turn, choose three of their own number to be members of the shop committee to which three employer representatives are appointed by the management.

This plan has eight joint special committees. These are: committees on routine, procedure and elections; on rehabilitation of disabled soldiers or sailors; on public meetings within the plant; on safety; on sports; on education; an advisory committee on the works paper; and a committee on adjustments.

In addition to these types, there is a group of more or less similar plans which have been oftentimes classed as the "governmental type." The original plan of this type had a works council, composed of representatives of the men in a whole works or plant, called the House of Representatives; a Senate elected by and from the foremen; and a Cabinet, composed of the officials of the company. Few plans of this character exist now. Many of the earlier ones have abolished the Cabinet; some have discarded the Senate; and others have made both House and Senate into works councils, elected by the workers only, or the workers and the foremen. In many cases the real work of these plans is carried on in joint works councils, composed of representatives from the House, Senate, and the Cabinet, and in joint special committees which are similarly formed.

Description of Procedure, Functions and Authority

The most important feature of the council plans are those relating to procedure, functions, and authority. For convenience in dealing with these features, provisions for final settlement have been made the basis for classification. There are four typical methods of final settlement: settlement by arbitration; settlement by the manager or some committee of officials; settlement by a joint committee; settlement by the joint works council.

1. *Settlement by Arbitration.* Fifty-two plans studied come under this classification. Thirty of these have the following method of arbitration: If the highest representative body in the line of procedure can reach no agreement, whether by a majority or a unanimous vote, the members choose one arbitrator. However, if no decision can be made concerning this arbitrator, one is chosen by the employee representatives, and one by the president or management representatives. If these two cannot agree, they choose the third arbitrator. The majority vote of these three is final.

In eight of the plans the constitutions provide no special method for arbitration, saying only that if the last representative body cannot reach an agreement, the matter will be given over to arbitration.

Twelve of the plans provide for a definite outside body making the final decisions if the councils cannot agree or another method of arbitration cannot be agreed upon.

In the International Harvester Co. plan there is no limitation to the subjects that may be taken up by the joint works council and general joint council. All matters requiring adjustment, whether they be grievances brought up by one employee or a group of employees, or matters taken up by the joint works council on its own initiative, may be discussed and voted on in the joint works council. If a majority vote of each group of representatives (employee and management) is reached, a recommendation is given to the superintendent for carrying out the ruling. The superintendent may do so or he may refer it to the president who either orders it carried out or gives it over to further consideration. However, if the vote in the joint works council is a tie, the matter is referred directly to the president, who pro-

poses a final settlement or refers it to the general joint council. But if his decision is not satisfactory to the persons involved, he refers it to the general joint council. If the president decides not to refer it to the general joint council, or the vote of that body is a tie, it is submitted to arbitration.

In the plan of the Colorado Fuel and Iron Co., the joint works council and the general joint council may discuss all matters of mutual interest. Questions of welfare are especially dealt with. The management of this company has full power to hire and discharge, and to manage properties, but the fairness of methods used in carrying out these rights may be considered by the representative governing bodies of this plan.

In this plan it is the joint committee on cooperation, conciliation, and wages that has the greatest authority when dealing with all matters that may arise for settlement. The authority of this committee is even greater than that of the executives. In case of a grievance, a settlement may be made without an appeal to the joint committee, for the matter must go through the foreman and superintendent before being appealed to the manager, general manager, and president in the order named. If a satisfactory settlement is not made by the officials, the matter is taken up by the committee on cooperation, conciliation, and wages. The decision of the majority of this committee is final. However, if no decision is reached, with the approval of the majority there is brought in an umpire whose decision as a third party is final. If neither a majority vote of the committee nor a decision on the choice of an umpire can be reached, it is sent to arbitration as described, provided this course is agreeable to the complainants. If it is not agreeable to them, then the case may be investigated by the State Industrial Commission of Colorado. This last step applies only to those working in the Colorado mines.

In the Midvale Steel and Ordnance Co. plan, the channel for deciding grievances, or matters initiated in the councils, is through the works council and general joint council. If a grievance is brought up by an employee it is discussed first with the foreman or superintendent. From him it passes to the works council. If the works council thinks any grievance a worthy one, it refers it to the general superintendent, who meets with the committee for settling the matter. If the settlement suggested by the

general superintendent is not acceptable to a majority of the works council, the matter is referred to the general joint council where the employees and employers vote as separate units. If this council cannot agree, it is given over to arbitration.

In the plan of the Nunn, Bush, and Weldon Shoe Co. all matters needing adjustment go to the works council which tries to settle them. If the parties involved are not satisfied with its investigation and decision, the matter is sent to the joint works council which acts as the governing and judicial body of the plant. On any question originating in the works council on which the members cannot agree, the same procedure may be followed. If the joint works council can reach an agreement, its decision is final; if not, the matter is sent to arbitrators.

This council has a peculiar authority given to it. After due investigation it may require the discharge of employees. Also no employee can be discharged by the management until such order has been approved and sanctioned by the joint council.

The Bethlehem Steel Corporation plan provides that the special committees and joint special committees shall consider some of the most important questions, as wages, hours, etc. The constitution provides a channel for deciding any matter that may arise, whether it be a grievance by an employee, or matters brought up by the councils or committees. The method of procedure is through the foreman, superintendent of the department, management's representative, and finally, to one of the superior officers of the company. The last named may try to decide it, or if the parties involved agree, he may refer it to proper joint special committees. If no settlement is reached, it is sent to the general joint committee on appeals. If this committee cannot agree, notice of such disagreement is sent to the president of the company who confers with the committee concerning arbitration. If he and a majority of this committee agree the matter is given over to arbitrators.

The second type of plans which have final settlement by arbitration, but in which no definite method is given, is illustrated by the plans of the Dennison Manufacturing Co., and the Dutchess Bleachery, Inc.

The general works committee, which is the larger of the two works council bodies of the Dennison Manufacturing Co., is

merely an advisory committee. It discusses factory problems and regulations and makes recommendations to the management. More authoritative power is given to the central committee. It may review all grievances or cases of discharge sent to it after having been referred to the foreman, departmental representatives, divisional representative, and division superintendent.

If this committee reaches a decision, that decision is final and the grievance cannot be reopened except at the request of the general works committee. If no settlement can be made, the matter is referred directly to the management. If the management is not able to reach an agreement, arrangements for arbitration are made. Group grievances arising in this company are brought up by the appropriate department or divisional representatives. The appeal then goes directly to the central committee.

The works council (board of operation) is the first body to which any matter for adjustment may be taken. It may confer with the local management concerning the matter to be adjusted, and if no agreement is reached in this way, the matter is then referred to the joint works council (board of management). It is provided that, whenever necessary, a case may go to arbitration.

The Philadelphia Rapid Transit Co., Intertype Corporation, and Standard Oil Co. (Indiana) are examples of the third type of settlement by arbitration. In these plans an outside body is the arbitration board.

In the plan of the Philadelphia Rapid Transit Co. all matters needing adjustment must first be taken up in the joint branch committee. Appeal may be made to the respective joint department committee, and if the matter is not settled there it goes to the general committee. If no agreement is reached by this committee, the matter is settled by arbitration. In any of these committees final settlement of any matter can be made by a majority vote on each side.

There is a special provision made concerning arbitrators. If the two chosen by the general committee for employees and the general committee for employers cannot agree on the third party, the Provost of the University of Pennsylvania, the Chairman of the Public Service Commission, and the President of the Chamber of Commerce are asked to serve as additional arbitrators.

The shop committees of the Intertype Corporation cooperate and consult with the management on matters directly affecting labor and production in their respective departments. All matters that need adjustment can be brought up before any shop committee. If the members think the case is worthy, they refer it to the works manager. If the settlement is not satisfactory to the shop committee it may take an appeal to the joint works council. If no appeal is taken, the matter may be considered as settled. If the matter reaches the joint works council and the council cannot settle it, it is brought before the president of the corporation. If no settlement can be reached there, the management may offer arbitration. In case a method of arbitration cannot be agreed upon, settlement is made by the Arbitration Committee of the Chamber of Commerce of the state of New York.

The joint works council and general joint council of the Standard Oil Co. (Indiana) are advisory bodies. They may discuss and make recommendations to the management on such questions as wages, hours, employment, works practice, living conditions, etc. All matters needing adjustment may be taken to the joint works council. If it is a grievance, it must have been discussed first with the foreman, superintendent of the department, and assistant director of industrial relations. If the joint works council cannot agree on a settlement, the matter is referred to the president of the company who, with the employee representatives of the joint works council, decides on the best method for arbitration. If they cannot agree on a suitable method, an appeal is made to the Secretary of Labor at Washington.

2. *Settlement by the Manager or a Committee of Officials.* Companies having plans that are examples of this type are: Procter and Gamble Co., General Electric Co. Lynn Works, Hardwick and Magee Co., Sprague Electric Works, Remington Arms Union Metallic Cartridge Co., and Reliable Stove Co.

The executive council, the smaller of the two works councils of the Procter and Gamble Co., considers subjects that pertain only to the welfare of the employees. The duties of the other bodies are those involved in gaining settlements in all matters that need adjustment.

The works council receives any matter that is referred to it after it has gone to the foreman. If this council cannot settle the

matter, it is referred to a special committee appointed by the chairman of the works council. The committee cannot make decisions; it only investigates the case and makes recommendations to the joint works council. The decision of the joint works council is binding if a majority vote of each side of the council can be reached. If no decision is reached, the matter is referred to the committee on appeals, which is composed of the plant superintendent, general superintendent, and president of the company. The decision of this committee is binding.

In the plan of the General Electric Co. Lynn Works, each joint shop committee may investigate and make decisions on any matter referred to it by an employee, after he has discussed it with the foreman. If the employee is not satisfied with the decision of the joint shop committee, and if this decision has not been made by a unanimous vote, he can carry it to the manufacturing engineer or department head. If he gains no satisfaction there, he refers it to the general joint committee on adjustments. If the decision of this joint committee is unanimous, the matter is settled. If it is not unanimous, the employee may take the matter on up to the manager. The right of appeal is valid only if the employee first brings up the matter.

3. *Settlement by a Joint Committee.* In this group no method for arbitration is provided. The employees of the companies having this manner of settlement must be content with a joint special committee as the ultimate body to which it can appeal. The plan of the S. F. Bowser Co. is an example of this group.

In this plan, any matter brought up for adjustment is appealed to the joint committee on adjustment after an attempt to have it settled by the foreman and employees' and employer's representatives has been made and has failed. This committee investigates the case very thoroughly. If a decision can be reached, that decision is final and all controversy is closed. If no settlement is made, the matter is taken up by the joint works council. Appeal to the joint committee on final appeal is granted. The decision of this body is ultimate and binding on the employees and employers.

4. *Settlement by the Joint Works Council.* In this group the plans provide no means of final settlement other than the decisions of the joint works council. The plans of the Bridgeport Brass Co. and the Reliable Co. are typical of this group.

The plan of the Bridgeport Brass Co. provides that all matters needing adjustment first go through the regular form of being taken to the foreman. If a matter is not satisfactorily settled in that way, it may be referred to the group committee (one of the shop committees) of that section, where there must be a unanimous vote for an effective decision. If the vote is not unanimous, the matter is referred to the division committee (another shop committee), whose vote must be unanimous. If it is not a unanimous vote, the matter is carried on to a joint works council (executive committee), where a majority vote may decide it.

The foregoing discussion reveals considerable heterogeneity respecting the method of procedure, functions, and authority provided for in American non-union council plans. Due to this heterogeneity, accurate summarizing is impossible; however, it is of value to state at this point the most typical provisions regarding procedure, functions, and authority.

The typical plans have only broad generalizations concerning functions. There is commonly some reference to the function of cooperating with the management to gain greater efficiency, justice, and good will; but the most general and essential provision is that all matters needing adjustment can be considered by the councils. There are only exceptional cases of limitation on matters with which they deal. Special committees to deal with special subjects, such as sanitation, safety, and recreation are quite common. The functions actually performed by these councils are described at length in Chapter IV.

The typical provision for procedure is that matters needing adjustment shall be first presented to the foreman or some other company official, either directly by the worker or through his shop representative. It shall then pass on to the joint committee lowest in rank in the plan; on through to the highest joint body; to the highest company official; and to arbitration, if necessary in order to gain a settlement satisfactory to the worker, or his representative in the various bodies.

Respecting authority, settlement within the joint bodies in many cases is by majority vote, and in many plans by agreement or unanimous vote. In the majority of plans final settlement is by

arbitration, while in some, provision is made for final settlement by a special joint committee, the joint works council, or by the highest company officials.

It is highly significant to notice that in the course of this investigation there were found several instances of companies having enlarged the authority of their joint councils after they had had experience with them; but not a single instance of delimitation of the authority of the joint councils was discovered.

CHAPTER III

THE THEORY OF THE COUNCIL MOVEMENT

A. The Larger Aspects of the Council Movement

The recent council movements in foreign countries, especially in England, Germany, and Austria, have been fostered chiefly by the conservative political parties, or by the employing classes, as a means of avoiding more radical reforms and of gaining the cooperation of labor in the industrial process. In the United States, the non-union council movement has also been fostered by government boards and by employers for the purpose of gaining the cooperation of labor or to check the growth of unions. However, granting that the council movement has been fostered largely by certain political groups and by employers, for other than purely democratic aims, it is none the less true that the joint council movement is a part of a larger evolutionary movement toward democratic industrial management, and is a result of the deeper forces which underlie that movement.

The type of industrial management which has prevailed in the immediate past has been properly described by the adjectives, "autocratic," or "aristocratic," meaning thereby that industrial concerns have been largely controlled by single owners or employers, or relatively small groups of owners or employers. The great mass of those belonging to these respective industrial groups has been practically without a voice in their control.

Democratic government has been aptly defined as "that form in the constitution and administration of which the mass of the adult population have a direct or indirect share."[1] The essence of the democratic principle is the extension of a share or voice in government to all of the qualified members of the group. It may be said without fear of contradiction, that no other principle occupies a more fundamental position in the beliefs, customs, and institutions of western civilization than the principle of democratic government. No other principle is cherished more dearly, and no other principle would be defended more desperately. The lessons of history and of personal experience have firmly imbedded in the minds of the great majority the belief that a well balanced regard

[1]Garner, J. W., *Introduction to Political Science*, p. 219.

for the values in all the human lives within a social group is most closely approximated when every qualified member exercises, as nearly as may be, an equal voice in the government of the group.

This belief in the democratic principle made the onward march of democratic political government irresistible. But the affairs of men are not separated into water-tight, unrelated compartments. That type of government which proves to be best adapted for attaining liberty, justice, and equality in affairs of state tends to be adopted in other phases of group life. This may be clearly seen in religious affairs. The steady trend toward more democratic government within American churches has been oftentimes remarked. Whenever a common aim brings together a group of American citizens the methods of democratic government tend to be adopted. General or representative assemblies, elected officers, free discussion, settlement of issues by majority vote, constitute the American citizen's concept of group government. This type of government is adopted in the religious group, the chamber of commerce, the lodge, the mutual benefit association, the cooperative group, and the fraternal organization.

It would be strange indeed if among these people thus steeped in the ideals and practices of democracy, there should exist one group in which autocratic rule held sway, without dissatisfaction on the part of many members. The institution of private property has brought it about that the industrial groups in which many citizens combine in close association to further a common aim have been largely subjected to autocratic control. But dissatisfaction with such conditions was inevitable. The workers have called for democratic management.

The most significant manifestations of the workingman's demand for a voice in the management of industry, and of the evolutionary movement toward more democratic industrial management are found in the activities and accomplishments of organized labor. Through the medium of the trade union movement, the workers in many industries have already won a substantial share in the control of wages, hours, conditions of work, discharge, discipline, institution of new machinery, and similar matters directly affecting their interests and well-being.

Through the more indirect medium of legislation, the working class and the general public have also exercised an ever increasing influence in determining the policy and practices of industrial management. The employers and the managers have found themselves restricted in a multitude of ways by the rules laid down through the medium of law. Methods of financing; methods of marketing; quality of products; hours of labor; wages paid; conditions in factory, shop, or mines; processes of production; and many other matters have been regulated by law.

It is as a part of this evolutionary movement toward democratic industrial management which has its roots deep in the past, "carrying with it the strength and the inevitableness of the movement toward political democracy," that we must view the recent developments which are the subject of this study.

The council movement is very closely related to the two earlier developments described above. The joint industrial councils of England and the United States are a development based upon trade unions. The German, Norwegian, and Austrian works councils are required by law and cooperate with the unions, while many of the works councils, shop committees or similar organizations in the United States are either a result of governmental decrees, or are adopted in order to defeat the trade unions. Where the works councils have been inaugurated by law or governmental decree, the activities of the trade unions have been among the chief causes for such laws and decrees.

This strong and growing demand among the workers for more democratic industrial management has been the primary reason why certain employing or governing classes have found it most advantageous to adopt joint council plans in order to check more radical reforms, or to avoid or destroy unionism. Therefore, it would be a misinterpretation of the joint council movement to regard it as a movement based upon the theories in the minds of those actively fostering it. It is fundamentally a result of the widespread belief that social welfare, equality, justice, liberty, and similarly desired ends can be attained best in group life under a democratic form of group control. Viewed in this light, these joint councils are seen not as a result of the petty schemes of powerful individuals or governments, but as the result of the working of great primary principles which underly a broad evolutionary movement.

B. The Council Movement as a Means to Check the Growth of Unions

The council movement in the United States has been directly sponsored by the employing class. Two motives which overlap to some extent have impelled the many employers to adopt voluntarily some form of employee representation in management. One of these, and probably the more prevalent one, is the motive of increasing the productive efficiency of the workers by eliminating ill will, and substituting good will and a spirit of cooperation between the management and men. The second motive is to oppose unionism effectively. The latter one has been present both in the case of firms where unions are already established and of firms where individual barganing still prevails.

In the packing industry and the railroads, there have been examples of the adoption of local council plans in order to substitute localized collective bargaining for collective bargaining with well organized and strong unions.

However, the large majority of American non-union council plans have been adopted in concerns in which the men are not sufficiently organized to obtain any substantial degree of collective bargaining. In many of these cases, there has been no immediate danger of organization. This is particularly true respecting a large number of the council plans adopted during the recent period of depression when the employer held the whip hand. Nevertheless, the conclusion reached in this study, and elsewhere discussed,[2] is that the majority of these local non-union council plans have been adopted either in an attempt to break existing unions, or to avoid what has been considered as the otherwise inevitable coming of collective bargaining with unions.

Relieved of the camouflage that generally bedecks it, the theory underlying this anti-union attitude is that the employer can bargain more effectively and satisfactorily with a local organization than he can with a strong trade union. A sort of compromise between collective bargaining and individual bargaining is obtained. Further discussion of this point must be left to a later chapter.[3]

[2] See Chapter VI.
[3] *Ibid.*

C. Democratic Industrial Management as a Means to Industrial Efficiency

1. *The General Theory.* Compared with autocratic government, democratic government is not ordinarily considered efficient. On the contrary, it is often considered inefficient, to be preferred only because it furthers social welfare by gaining more of justice and equality.

The case for more democratic industrial management, as attained under collective bargaining through unions, has generally been stated much more in terms of its power to gain justice, equality, and liberty, than in terms of increased production. On the other hand, the case against unionism has been based chiefly upon its demoralizing effect upon production. Strikes, either open or on the job, restriction of output, defeat of scientific management, and many similar blows at industrial efficiency have been laid at the door of the unions.

In contrast to this, the recent council movement has been oftentimes fostered as a constructive means to greater efficiency. Among the definite purposes ascribed to the joint councils recommended in the Whitley report, are the following: "securing in the development of reconstruction the largest possible measure of cooperation between employers and employed; the better utilization of the practical knowledge and experience of the workpeople; industrial research and full utilization of its results; provision of facilities for the full consideration and utilization of inventions and improvements, designed by workpeople; improvements of processes, machinery, and organizations . . . . with special reference to cooperation in carrying new ideas into effect."

Similarly, in the United States, the council movement has been advocated as a means to increase efficiency. The extensive work of the Shipbuilding Labor Adjustment Board and of the National War Labor Board in introducing joint works councils and joint shop committees into American industry was carried on as a part of the nation's great efforts to increase production during the war. The primary aim was the furthering of efficient production of war-time necessities.

Moreover, the council movement in the United States has been chiefly a voluntary movement, and the voluntary adoption of council plans has been partly an effort to install scientific person-

nel management, with the aim of increasing efficiency. Examination of the constitutions of the works councils, or shop committee plans, in American industries has shown that their object is generally stated in terms of gaining industrial efficiency, or that this aim is implied in the stated object of gaining industrial peace, harmonious relations, and resulting steady cooperative effort.

Finally, it may be noted that much of the literature of the works council movement has been produced by industrial engineers, personnel and employment managers, advocates of scientific management, and university professors. Among these students and proponents of democratic industrial management, great emphasis is given to the argument of increased efficiency.

Arguments for democratic industrial management, as a means to greater efficiency, are generally based upon the proposition that to gain increased efficiency the workers' good will and desire to cooperate must first be gained.

The opening passage of a recent book written by two proponents of joint councils in industrial management reads as follows:

"The new focus in administration is to be the human element. The new center of attention and solicitude is the individual person, the worker. And this change comes about fundamentally for no sentimental reasons, but because the enlistment of human cooperation, of the interest and good will of the workers has become the crux of the production problem."[4]

The proponents of the council movement find the cause of prevailing ill will and lack of cooperation in two facts: first, the laborer will not cooperate in the industrial process when he does not have confidence that he is receiving justice; and second, laborers, in general, do not at present have confidence that autocratic industrial management accords them justice. They point out that the activities of organized labor and the powerful Socialist, Syndicalist, and labor parties have been characterized by bitter fighting against employers and a system which they believe to be unjust. Injustice or actions believed to be unjust do not call forth cooperation, but are the direct stimuli to the instinct of pugnacity, and sentiments of fear, hate, and resentment. The workers, as a class, believe they are being treated unjustly, the result of which is suspicion, ill will, and refusal to cooperate.

[4]Tead, Ordway, and Metcalf, Henry C., *Personnel Administration*, p. 1.

One particularly significant source of evidence on this point is found in the testimony of employers, industrial engineers, and employment managers to the effect that, in introducing a joint council plan, the first obstacle which must be overcome is the distrust of the workers. The workers invariably take the attitude that something is being "put over" on them.

Mr. Wm. Demuth, president of Demuth and Co., testifies that "at first his workers were cold and suspicious," and that the most difficult task in installing a works council plan is to "establish confidence between the worker and executives."[5]

Dr. Charles P. Steinmentz, chief consulting engineer of the General Electric Co., states that many concerns have advanced schemes for cooperation which have failed because "they originated with the company, and the worker had nothing to do with the formulation of them. In all such cases the worker does not accept such suggestions, even if they might work for his good."[6]

Dr. Harry Tipper, who has made extensive first-hand investigations of joint council plans in the United States, testifies that employers have found it difficult to overcome the workers' distrust. He urges that those in charge of installing such plans should have the aid of the men in the sales department who are able to sell the idea to the workers. This is needed because their "prejudices are so deeply rooted, their suspicions so firmly and deeply intrenched, and the process of eliminating them and replacing them with good will and cooperation must be a long, laborious, and delicate job."[7]

Speaking of his experience in installing "industrial democracy" plans for many industrial concerns in the United States, John Leitch says: "I have found no particular welcome for my ideas. I have usually been received with suspicion as a 'guy,' taken on by the management to 'put something over.' Their second suspicion is that I am a disguised efficiency man, and that I am going to pull some new speeding up stunt out of my bag. It takes weeks and weeks to replace this ill will with good will."[8]

[5] *Factory*, Vol. 23, September, 1919, pp. 502-504.
[6] *Automotive Industry*, Vol. 40, April 17, 1919, p. 831.
[7] *Automotive Industry*, September, 1920.
[8] Leitch, John, *Man to Man*, p. 176.

One prominent American employer, whose concern has adopted a joint works council plan, makes the following significant admission:

"Aristotle says, 'the reward which a liar gets is that no one will believe him when he tells the truth.' Thus are industrial relations troubled. In times gone by management and men have tried to outmaneuver one another. They are now laboring under a burden of mutual suspicion resulting from the double dealing of past generations."[9]

The proponents of democratic joint council plans maintain, therefore, that autocratic management in industry has failed at a most vital point in the production process. Autocracy in industrial management, they say, "has been the rule for many generations, and has had ample time to prove its merits, but it has failed to gain the laborers' confidence and cooperation." Inefficiency has been the result.

There are two causes for this situation. The employer may treat the laborer as justly as he can, but fail to gain his cooperation because he cannot overcome the worker's distrust, and convince him that he is being treated fairly. Or the employer may be exploiting the worker. In other words, the obstacle to increased cooperation and efficiency may be either that justice is not being awarded to the worker, or that the worker cannot be convinced that he is being treated justly.

More democratic industrial management is advanced as a remedy for both evils. In the first place, it is urged that more democratic industrial management will result in more justice for the worker. The defining of justice in specific cases of conflicting interests is a very difficult task. The problems of a "fair day's work," the "just wage," the "square deal" in division of the product, or "just treatment of the men in matters of promotion," and dozens of similar problems in industrial justice are extremely complex. There are many minds involved. These many minds have been developed under diverse environments and subject to diverse teachings respecting fundamental principles of industrial justice. No accepted body of industrial law has been developed which defines what is right and just. In this field of industrial

[9]McCormick, Cyrus, *Proceedings Annual Convention of Industrial Relations Association of America*, May 19-21, 1920, p. 5.

justice society has evolved as yet but few if any widely accepted principles. The employer's attitude that he is fair when he pays the market rate of wages is not accepted by the miners who receive scarcely a living wage, and who read in their morning paper that their former employer has died, leaving an estate of many millions. The question of a fair day's work, involving as it does such fundamental conflicts of interest as the employer's desire for increased profits, the public's desire for more products and lower prices, and the workers' desire for more leisure, presents a similarly complex problem.

How, amidst these tangles of conflicting interests and desires and diverging opinions of industrial justice, can we most nearly attain a balanced regard for the values in all the human lives involved?

The proponents of the joint council movement believe that one fundamental step which must be taken in order to gain the closest approximation to justice in most situations is the adoption of a more democratic form of industrial management. Chief among the arguments advanced to support this view is that expressed in a famous passage by J. S. Mill, which is oftentimes quoted in the literature of the joint council movement, and in which democratic government is defended:

"Its superiority in reference to present well-being rests upon two principles of as universal truth and applicability as any general proposition which can be laid down respecting human affairs. The first is, that the rights and interests of every or any person are only secure from being disregarded when the person interested is himself able, and habitually disposed, to stand up for them. The second is, that the general prosperity attains a greater height and is more widely diffused in proportion to the amount and variety of the personal energies enlisted in promoting it.

"The former proposition that each is the only safe guardian of his own rights and interests is one of those elementary maxims of prudence which every person, capable of conducting his own affairs, implicitly acts upon."[10]

The gist of all this is that what constitutes perfect justice in a particular industrial situation is not known or determinable; and

[10]Mill, J. S., *Representative Government*, Chapter III.

that a compromise between conflicting interests is all that can be expected. But the resulting compromise will most nearly approximate justice if each party, where conflicting interests are involved, has a chance to look out for his interests, or in other words, has a voice in the management of matters directly affecting his welfare.

Another argument for more democratic industrial management, as a means to obtain more just treatment for the worker, is found in the effect upon the employer of contact with employee representatives in joint councils.

The instinct of gregariousness, the predispositions of sympathy, sensitiveness to social approval and disapproval, altruism and the sense of justice, are sufficiently strong in mankind to result in a fairly social type of behavior among people closely associated and personally acquainted. The master workman, working at the same bench, living in the same house, eating at the same table with his journeymen and apprentices, felt an interest in their welfare. He knew their problems, their hardships, their worries, and their ambitions. If he was a normal person, he sympathized with them and desired to help them. Selfishness was checked by sympathy, altruism, desire for their approval, and a sense of justice.

But along with modern large scale integrated industry has come impersonal industrial relations. The personal contact between the employer and the worker has been lost. Under these new conditions, there is no longer adequate stimulation of the social instincts and predispositions. That personal contact, that vivid perception of a fellowman's hardships or desires which constitute the effective stimulus to sympathy, altruism, and the sense of justice disappeared when the factory system was established.

We cannot go back to the old time personal relationship in industry. But a personal contact and acquaintance between the employer and representative workers from his plant, through regular meetings of joint councils, offer a substitute condition which has great possibilities. The result of such a personal contact and acquaintanceship is that the employer gets the worker's point of view and comes to see him as a human being, rather than as so much labor power. He visualizes his human side with its homemaking, sickness, unemployment, children to educate, desire for

a higher standard of living, and many similar phases. But what is most important, he gets these directly from contact with a fellow man, and getting them thus, finds his social instincts and predispositions stimulated. His concept of justice and his purposes are correspondingly socialized. Selfishness is checked in a healthful and natural way.

Finally, it is urged that the effect of more democratic industrial management will be cumulative. More justice will be accorded to the workers; efficiency will be increased; and employees will find that just treatment pays, and so will strive to attain still more perfect justice.

According to this theory, then, democratic industrial management will help to overcome the obstacle of injustice, and therefore, will help to obtain the good will and cooperation of the worker, with resulting increased efficiency. However, the problem of gaining the good will and cooperation of the laborer is not always solved when justice has been accorded him. In fact, so far as the question of efficiency is concerned, the problem is largely psychological. It is not significant whether justice or injustice prevails, so long as the workingman believes that he is receiving justice.

Reference has been made above to the deeply-rooted suspicion, distrust, and prejudices which color the viewpoint of the worker. He habitually distrusts the employer. It is almost a custom among the workers to dislike and to distrust members of the so-called capitalistic class. The young worker is raised in an environment from which, through the words and actions of his parents and fellow workers, he continually receives suggestions which weave into the very texture of his mind this suspicious attitude toward the employing class. Under these conditions, it is not surprising to find that the worker will not believe the protestations of management that justice and a square deal are being accorded to all. Whether such protestations be true or false, in the absence of any other source of knowledge than the employer's assurances, the workers will be suspicious and unresponsive.

Democratic industrial management offers the natural remedy for this situation, if the employer is sincere and the facts are with him. Having failed to convince the worker by a statement from the management, the employer may succeed by extending to the

workers' elected representative a direct share in management. Having helped to investigate, discuss, and decide an issue, if the decision is reasonably just, the representative will be satisfied and his constituency will believe his report.

This phase of the theory of more democratic industrial management, held by the proponents of joint council plans, is in no place more clearly set forth than in their writings concerning scientific management. The advocates of scientific management have claimed that industrial justice can be attained best by the rule of competent managers with their staff of scientific experts. These experts would "substitute for the arbitrary unjust rule of persons the impartial and just rule of facts." The advocates of democratic industrial management have replied that, even though it were possible to find these scientific super-men who could and would work out the rules of justice, the problem of efficient production would not be solved. Experience with scientific management has demonstrated the most fundamental defect in this position to be that, even though exact justice in matters such as wages, hours, conditions, discipline, shop rules, and the like, could be scientifically determined, the workers would still refuse to believe it. They do not trust the employer or his hired efficiency experts. Organization of the workers in some form, so that they may have a voice in determining what constitutes justice, remains the condition upon which their confidence and cooperation can be obtained.

The scientific managers have indeed been sadly disillusioned in assuming that workers would accept the opinion of scientific experts on matters of justice. The laborers have disagreed with almost every claim made by scientific management respecting the beneficial effect that its schemes would have upon labor. They have refused to bow with respectful deference to the superior knowledge of the employer's expert. Scientific management has claimed that scientific and accurate justice would result from their schemes. The workers have believed that scientific management would be another tool in the hands of the employers to increase production and profits without due regard for the laborers' welfare.

The report of the Garton Foundation reveals this attitude among the workers in England.[11] Speaking of scientific management, the report says:

"Nevertheless, it is regarded with profound dislike and distrust by the general run of workers, and in a great many cases, attempts to put it into practice have had to be abandoned.

"The reason usually given by the men for their hostility is that the employer, while paying higher wages, takes care that much more than proportionate increase is effected in his own profits; so that the ratio of distribution becomes less favorable to labor than before . . . . Before the undoubted advantages of motion training can materialize in workshop practice, full security must be given against these evils. This can be done only by introducing the system with the full voluntary cooperation of the men; and such cooperation can only be secured by . . . . transforming the whole constitution of the works in such a way that the men themselves may have an interest in the new system and some share in control over the working of it."

A further argument, presented in support of the proposition that democratic industrial management is the best means to attain that situation in which the workers will believe that they are being treated justly, is based upon the proposition that the doctrine of human equality occupies a fundamental position in the beliefs and institutions of western civilization. The doctrine that "all are created equal, and have equal rights," is stanchly upheld by the workers. One of those rights is that of liberty. But equality and liberty in industrial relations are attained only by democratic industrial management, for democratic management is in itself an important phase of both equality and liberty. Therefore, since "equality of status" within the industrial group, and the liberty of self-government are a part of the worker's concept of justice, democratic industrial management becomes the necessary condition of the worker's belief that he is being treated justly.

2. *Specific Applications of the General Theory.* The questions considered in this section are: What are some definite matters in respect to which the worker has shown lack of confidence in

[11] *Memorandum on the Industrial Situation after the War*, Garton Foundation, Harrison and Sons, London, 1916.

management? How will more democratic industrial government help to establish confidence, and gain cooperation and efficiency in these specific cases?

3. *Profits, Dividends, and Financial Methods.* The most important problem to be noted arises in connection with profits and dividends. There is widespread belief among the workers that excessive profiteering, in the sense of gaining profits or dividends far in excess of any normal rate of returns for capital invested or risks taken, is the general situation in industry.

"Labor knows," says one student of the problem, "that there has been widespread profiteering on the part of the employing class. They also know that the government's statistics show that wages have not kept pace with prices. Yet employers, as a class, have demanded lower wages and by systematic propaganda have tried to create the belief in the public mind that labor was to blame for higher prices and that to continue to ask high wages would be to continue the vicious circle of robbery of the public. How can cooperation be expected to exist under such conditions? That is why labor is asking for information on profits and inside finances today. Until the laborers' distrust on these questions is cleared up, there is no hope of cooperation."[12]

R. L. Cormick, workers' representative in the Arsenal Orders Branch of the Ordnance Department, has expressed a growing attitude among American workers in the following words:

"Workers are everywhere willing and anxious to cooperate if their interests are safeguarded. Since they absolutely control whether they will cooperate or not, they demand guarantees of their objective, which is an equal division of product between public, employer, and worker."[13]

In England, the point has now been reached that the organized workers are demanding that private profits be abolished. Long ago they passed through the stage of merely objecting to excessive profits; to-day the strong Labor Party, the great miners' union, the railway unions, and many others are demanding the national ownership of their industries, with a fixed return to capital, fair salaries and wages, and after these, the lowest pos-

[12] *Annals of the American Academy of Political and Social Science*, Vol. XC, July, 1920, p. 17.

[13] *Ibid.*, p. 32.

sible prices to the public. There is, perhaps, something of a warning in this English development, for while the majority of laborers in this country are not yet demanding such extremes, yet the miners have frequently suggested it, and the railroad unions have actually fought for a plan which would give the present railroad capitalists government bonds with a fixed and fair return, but no profits. Long continued conditions which promote the workers' belief that exploitation is going on on a large scale, may bring further socialistic developments in America as well as in England.

The files of the various union publications reveal a systematic effort to gain insight into the finances of their respective industries, and to make the facts known to the workers. Even the advertisements of an industry respecting its profit-making ability are played up in flaring headlines in the labor press, together with many, no doubt exaggerated, remarks and deductions.

"Workers of all the basic industries, transportation, coal mining, iron and steel, and textile, are beginning to go behind the returns." One prominent labor leader states, that "there are very few unions to-day that do not have their own members in the employ of the various firms as bookkeepers or accountants, so that the inside financial information may be obtained." It is well known, of course, that the miners and railroad workers have long had expert accountants studying the financial situation of these industries, and that in certain branches of the printing and clothing industries, accountants, hired by both labor and capital, have made the reports upon which wages are based.

This belief in profiteering has become, to some extent, chronic or habitual with the working class as a whole. The more mysterious the business is made, and the less they know about its finances, the more exaggerated are their ideas respecting them. They assume that all concerns are making excessive profits, just as they assume that all employers are trying to treat them unjustly. The one assumption goes with the other.

The second phase of the theory of democratic industrial management outlined above finds application at this point. The problem for the many industrial firms which do not make unreasonable profits is to find a method of convincing the workers

of the facts. Many concerns in this situation are using democratic industrial management plans for the purpose of proving to the workers that profiteering does not exist.

There is also some evidence that other concerns are using some forms of democratic industrial management as an effective means of making the workers believe that profiteering does not exist, when in reality they are exploiting their labor. One employer who is an advocate of more democratic industrial management has quite frankly stated that he has investigated a great many of the so-called industrial democracy schemes in American industries, and has found that they are "99% pure bunk."[14]

The idea in these latter cases seems to be that the employee members of joint governing bodies are easily led by intelligent management representatives; and that since they will not believe management directly, they can be most efficiently made to believe they are getting justice, when they are not, by first satisfying their demand for a share in management through representatives on joint councils, and then by revealing fake "business secrets" to deceive those representatives thoroughly; so that they will report to the workers that justice is being received. To what extent this practice is carried on cannot be easily ascertained by the outsider.

In either case, sincere or insincere, the theory remains the same. The gaining of the cooperation of the worker, and hence efficiency, can be best accomplished by convincing him through his direct participation in management, or through his representatives in management whom he will believe, that he is getting a square deal in the distribution of the product.

There is a further important argument which is often advanced in this connection. The worker's concept of justice in dividing the products of industry is often sadly warped. The American Multigraph Co., realizing the ignorance of its employees upon these problems, spent two years in carefully conducting a plan to educate its workers up to the point of being ready to assume a share in the management through its present joint council plan. It found that its employees were totally ignorant on most important phases of management. Many did not even know the use of the activities of certain officials. The trade

[14]Feiss, Richard A., *A National Labor Policy*, p. 5.

unions also recognize this ignorance on the part of workers in general as is shown by their condemnation of "company unions," on the ground that the workers are not sufficiently informed and are easily deceived by the employers.

For example, the worker has very little knowledge of such matters as the functions of capital, stocks, bonds, credit, and good will; the necessity of undivided surpluses; the necessity of large depreciation funds; the necessity of meeting competitive prices, of expanding the plant, or acquiring sources of material; the necessity of paying sufficient salaries to hold capable managers; the necessity of higher returns for higher risks; and many other problems of management which must be considered in determining justice in the division of the product under the existing industrial system. Now if the workers do not have confidence in the direct statements of the employers, some other method for educating them properly respecting these matters must be found. Democratic industrial management offers a way. The workers believe their own representatives, and through them they can be convinced of these business facts and necessities. Moreover, constant rotation of offices in any scheme of democratic government gradually builds up a working force with actual experience in managerial problems. In this way, the worker's concept of industrial justice may be made more intelligent and the task of gaining his cooperation may be correspondingly lightened.

4. *Piece-Rates.* A second important question in respect to which the workers distrust the management is that of piece-rates. Where work is paid for by the piece, it has been the general practice of workers to guard very carefully against any speeding up, because they have come to believe from long experience, that if the employer finds they are making a high wage, relative to the prevailing market rate for such labor, he will cut the rates. The result of such a condition is to the worker's disadvantage. His effort to produce more has resulted in a lower piece-rate, making him then give more work for the same pay than he formerly received. After a few such experiences, the normal functioning of human instincts causes the worker to strive to gain the highest possible rate for the least possible work. Both the fact and the basis of cooperation are then lost.

The argument for democratic management in the control of piece-rates is concisely stated in the following paragraphs:

"There are innumerable ways and means of arriving at a fair basis, but all of them must have these principles in common:

"The method must be thoroughly sold to the people, and if the method cannot be sold, it is bad, no matter how many points of merit in it may appeal to the scientific mind.

"The initial rates should be fixed in conjunction with an elected committee of those affected, and the basis should be a scientific time study, every point of which is understood and approved by that committee.

"An observance of the above principles will go far toward overcoming the chronic hostility to measuring pay by effort. That hostility arises either from unfair rates, or from lack of knowledge of how rates are arrived at. Workmen insist that scientific rate fixing is only a device to wear out the worker for the benefit of the capitalist. . . . . Scientific planning has undoubtedly been used at times for that purpose."[15]

In this case, again, there are the two groups to be considered. One group of employers sincerely condemns rate cutting and has resolved not to practice it. These employers desire to gain the workers' cooperation, so that production may be increased and all members of the industrial group may prosper. At the same time there are unscrupulous employers who desire to speed up the workers and then cut the rates. Both groups are defeated by the workers' refusal to speed up. It is probable here, as in the case of profits, that more democratic industrial management can and is made to serve both the fair and the unscrupulous. Giving the worker a share in determining piece-rates gives him confidence that the employer is sincere, and that the rate cannot be cut without his consent. Under such conditions, his cooperation is gained; he is willing to produce more in order to earn more; and all parties, including the public, prosper.

On the other hand, the employer who desires to cut rates can use the same machinery. He may give the employees representation on the council which determines piece-rates, as a means of gaining the workers' confidence and cooperation in increased

[15]Basset, William R., *When the Workmen Help You Manage*, p. 48.

production. Then a gradual reduction of the piece-rate, without loss of efficiency, can be accomplished by placing able leaders on the council, who persuade the workers' representatives that adverse business conditions and the consequent dire straits in which the company finds itself necessitate reduced rates.

5. *Financial Incentive Plans.* A third specific instance in which more democratic industrial management helps to gain the confidence, cooperation, and the resulting increased efficiency of the worker is found in the case of the financial incentive plan. The principal types of financial incentive plans in use at present are profit-sharing, economy or production dividends, and the bonus. These plans say to the worker: "Increase your efficiency, thereby increasing production, and you will receive a share in the gains you have thus made possible." The reaction of the worker to this proposal is not different from his customary reaction to the employer's proposal that he work harder. His attitude is one of doubt and suspicion. How can he know whether he gets a fair share of the increased gains his extra efforts have produced? Must he take the employer's word for it? Is it not a scheme, like scientific management and piece-rates, to gain for the employer a large profit at the expense of the workers? Are not these profits or this bonus simply a scheme to keep basic wages down? Where is the customary "joker"?

It is the consensus of opinion among authorities in this field that the best results cannot be obtained from financial incentive plans, unless the confidence of the worker is first gained by giving him a share in the control and administration of such plans.

The most significant evidence that can be given on this point is the result of a recent study made by the Cleveland Chamber of Commerce. As a rule, Chambers of Commerce, composed of conservative business men, champion the cause of workers' control in industry only after most convincing demonstrations of its efficiency. This study is an extensive one, covering the incentive plans of over six hundred business concerns in Cleveland and vicinity. Eight general principles are given in the final report as the principles which experience has shown to be the best ones upon which to base a financial incentive plan. The sixth principle

in this list reads: "They (the workers) should preferably be represented in the administration of the plan."[16]

6. *Health and Working Conditions.* A fourth matter to which managers are giving more and more attention because of its great possibilities in increasing production efficiency, is the improving of the workers' health. This is apparently a matter of mutual interest to both employer and employees, and one in which the workers would be anxious to cooperate. But experience has shown otherwise. The workers' habitual tendency to look for the joker and to distrust the employer and his agents is ever present. In the first place, the basis for improving the health of a firm's personnel must be the periodical physical examination. The workers have often opposed this. "Organized employees have from time to time raised objections to physical examinations. But, upon analysis, the objection is usually found to apply less to the examinations themselves than to the abuses which might possibly arise from them.

"Organized labor apprehends that facts discovered by medical examinations may be used to jeopardize the position of industrial workers; that by the use of too high standards competent people may be debarred from employment and that firms may use the excuse of physical incompetency to exclude union sympathizers. They maintain that responsibility for preventive or curative health should be jointly assumed by employers, workers, and community. The president of the American Federation of Labor has endorsed medical examinations, provided they are given by publicly employed physicians using health standards which have been agreed to in advance by the organized workers."[17]

Laborers are here again suspecting that the astute employer has conceived another plan which will serve his own interests at the expense of the workers, and they refuse to cooperate without a share in control which will enable them to know that their interests are being safeguarded.

Concerning this problem of health, the workers' cooperation is exceedingly important. The average worker is not troubled with ailments of an acute nature; it is the minor ailments that con-

[16]"Employees' Incentive Plans in Cleveland Industries," *Report of the Committee on Labor Relations of the Cleveland Chamber of Commerce*, p. 4.

[17]Tead, Ordway, and Metcalf, Henry C., *Personnel Administration*, p. 87.

stantly undermine the efficiency of the working force. Indigestion, headaches, bad teeth, exhaustion due to lack of sleep, colds, sore throats, and many similar troubles greatly reduce the efficiency of a plant's personnel through time lost from work or through reduced efficiency during working hours. But what are the chief means of prevention in these cases? In the first place, the worker must be taught the importance of proper air, proper clothing, proper eating, proper amount of sleep and exercise, proper and prompt care of colds and sore throats, importance of personal cleanliness, and many similar considerations. And in the second place, he must apply this knowledge. This cannot be done for him by the manager. It is a personal and private affair which must be dependent upon the worker's desire to keep himself physically fit for his work. Until the worker has been convinced that increased production is to his benefit, this difficult problem of efficiency cannot be solved.

The same situation exists in the matter of maintaining working conditions which are conducive to the best health and greatest efficiency of the workers. The elimination of eye strain due to facing the source of light, and nervous exhaustion due to irritating noises and vibrations, are to a considerable extent dependent upon the worker's cooperation in assuming the correct position at his bench and avoiding unnecessary noise in his work. The maintaining of effective sanitary conditions are also dependent upon the worker's cooperation. The proper use of towels and lavatories, toilet rooms, drinking facilities, cuspidors, are important considerations. Here again the worker's desire to cooperate, based upon his belief that increased efficiency is to his interest, must be the basis for his making these personal efforts to further the physical welfare of the plant's personnel. If more democratic management through joint councils can stimulate this desire to cooperate, highly important results can thus be achieved.

7. *Labor Turnover.* Another important cause of inefficiency in the utilization of the human factor in industry is the high rate of labor turnover which exists in the majority of industrial concerns. Replacing a man in the industrial organization involves the work of the employment office in examining and placing a new man, which often includes various trade or educational tests; the work of the foreman in training new men; the work of clerks in chang-

ing records; time lost to other workers through idle machinery when new men make mistakes; cost of having the machines idle; cost of repairs of machines or tools; cost of damaged materials; reduced efficiency until the new worker attains the skill of the one he replaced; and cost of accidents which are more frequent among new men. Where labor turnover is as high as 100, 200, and 300%, which are not exceptional figures, it is apparent that the loss of efficiency is very great.

A certain amount of labor turnover is unavoidable, but it is now generally admitted that it can be reduced to a very low figure in comparison to those just mentioned. In the study of this subject, the fact has been revealed that labor turnover is in a large measure due to causes which can be most effectively eliminated under democratic industrial management.

In the first place, labor turnover is due to the arbitrary and unfair treatment which workers receive at the hands of foremen or petty officials. This leads to trouble between the two and ends either in discharge or the worker's quitting. When foremen or petty officials know that trouble in their gang or department is regarded as a cause of inefficiency, that their acts and words are the subject of discussion in a joint council in which workers and higher officials are present, and that if they are at fault their acts will be censured and annulled, they will abandon their petty tyrannies and domineering ways and strive to gain the good will of the workers by according them the respectful and fair treatment which they desire.

The same general situation exists respecting all similar causes of labor turnover. Dissatisfaction, due to favoritism shown by officials in matters of promotion, or in discharging men in order to make room for friends, may be largely eliminated where the workers share in the settlement of such problems through a joint council. As a result of the joint control, less injustice exists; the imaginary cases of injustice are cleared up; and causes for discharge or quitting are correspondingly lessened.

On the other hand, it is urged that democratic industrial management functions in a more constructive way to lessen labor turnover. The worker's belief that he is receiving justice in the division of the product, that he has a real control over his job so long as his fellow workers judge him worthy of it, and the new

interest and pleasure which he feels in his work—all these things function to create in the worker's mind a liking for his job and a loyalty to the company. Under such conditions, labor turnover is greatly reduced.

8. *Discharge.* As a means of handling the problem of discharging men, democratic methods have certain definite advantages over autocratic methods. In the first place, justice is more nearly accorded to all when a joint body of workers and managers has the power to investigate any case of discharge, and to reinstate the man if it desires. Workers testify freely before such a body, thus making it possible to get a fairer presentation of both sides of the case.

Moreover, security of tenure and the resulting security and ownership in one's job are basic conditions of maximum efficiency. Worry and fear over threatened unemployment seriously reduce efficiency. When there is such worry and fear it is difficult to inspire in a man loyalty or interest in cooperating to improve methods and machines, and efficiency in general. Democratic management, by giving the worker a voice in the control of discharge, assures him that, so long as he is judged worthy by his fellow workers and high company officers, his job is secure. He is protected from arbitrary or unjust dismissal by the foreman or some other petty official. This control over the matter of discharge thus helps to restore that lost sense of proprietorship in the work, which is an important stimulus to better workmanship.

9. *Grievances.* Grievances may arise in connection with any phase of industrial relations. However, in this discussion of grievances as a special topic, reference is made particularly to what may properly be called petty grievances. There is general agreement among students of industrial relations that very much of our industrial friction may be traced to some petty dispute between a foreman and a worker. J. D. Rockefeller, Jr. voiced this same thought when he said that "experience shows that the vast majority of difficulties which occur in an industry arise between workmen and the subordinate officers who are in daily contact with them."

Another important source of grievance is found in the mass of shop rules and regulations to which the worker is necessarily subjected in modern large scale industry.

Are these petty grievances real or imagined? The statistics of the number of cases settled in shop committees and works councils generally show a large proportion settled in favor of the workers. Swift and Company, for example, report 291 for the workers as compared to 126 in favor of the management. This indicates that the vast majority of grievances are justified, and that their proper consideration and settlement are highly important if good will, cooperation, and efficiency are to be gained.

Henry T. Noyes of Rochester states that in his company, the Art-in-Buttons Inc., periodic department meetings have been held for ten years. In these meetings in which the company and employees cooperate for their joint good, 90% of the complaints heard were justified in whole or in part. He therefore concludes that under the usual form of management "a tremendous aggregate of dissatisfaction must exist and must be incapable of elimination because the management knows nothing of it."

Many of these petty grievances lead to acute industrial disputes with great damage to efficiency. But it is most important to visualize the tremendous loss in efficiency which must come from the resentment, ill will, and antagonism which smolders in the thousands of workshops as a result of petty grievances which do not bring acute disputes, and which are generally never settled. The proponents of democratic industrial management emphasize this source of inefficiency, and offer as the remedy for it the settling of grievances by the joint council or committee, with final appeal to arbitration.

The theory in this case is that in the joint council a fair consideration of both sides of each dispute can be attained; that justice will be more nearly approximated in settlements; and that the men will be better satisfied with decisions which their representatives have declared fair and necessary. The workers' distrust of the management makes it all but useless to provide the "open door to the manager's office" as the solution. Some few managers or other officials may gain the confidence of the workers sufficiently to enable them to settle grievances satisfactorily to all concerned; but the general situation is one of distrust, which makes the joint democratic consideration and settlement of grievances necessary. The worker will present grievances to his representative, who is his fellow worker, when he will not take them up

with officials whom he fears and distrusts, and who have the power to discharge him or discriminate against him in the future. Democratic consideration and settlement of grievances thus offer the most efficient means of eliminating the inefficiency which results from unsettled grievances, or grievances settled in an unsatisfactory manner.

10. *Shop Discipline.* In order to gain efficiency in a shop or plant, a tremendous number of rules and regulations must be enforced. There must be rules respecting smoking, drinking, swearing, fighting, absence, tardiness, obeying directions of supervisors, procedure in case of fire or other emergencies, keeping rooms clean and orderly, sleeping or loafing during working hours, care of tools and work bench or machine, sharpening of tools, ringing of time clocks or punching of time cards, use of telephone, seeing visitors in the shop or plant, passing from one department to another, eating during work hours, notification of proposed absence, et cetera.

The average worker is continually revolting against this mass of apparently petty and insignificant regulations. He may readily agree that he ought not to come to work drunk, but it is difficult for him to understand why he cannot use the plant telephone, why he will not be called to the telephone, or why a visitor cannot see him. He cannot comprehend the significance of such rules, and he may be bitter and resentful about these "company straight-jackets." That they will not let him answer the telephone may seem to him to be the very limit of greedy exploitation of workers without regard for their feelings or desires. When such rules are very numerous and the worker is running into them at every turn, his resentment may be fanned to a flame, and the spirit of cooperation and good will destroyed.

It seems to be generally true that workers seldom give wholehearted cooperation in observing arbitrarily imposed rules, but grasp every opportunity to violate them when not being watched. Many such rules are necessary, but if maximum efficiency is to be attained they must be willingly and sincerely obeyed by the workers.

It is the theory of democratic industrial management that the most efficient way to get this cooperation in the enforcement of shop discipline is to permit the workers to share in the making of

the rules and the imposing of penalties for their infringement. That self-imposed rules and regulations are more willingly and consistently obeyed than rules arbitrarily imposed from above is a proposition that does not need defense.

However, the primary need in the case of shop rules is to convince the workers of the significance of such rules. Since the workers, on the whole, do not trust an autocratic manager, the only efficient way to convince them of the significance and necessity of so many rules and regulations is through their representatives who have studied the need of such rules and adopted them in the joint council. Even when the workers are thus convinced of the necessity of obeying all the rules and regulations and other phases of shop discipline, in order to reach greater efficiency, they must still be convinced of the basic proposition that greater efficiency is to their interest. They must be convinced that they will be justly rewarded for their cooperation. The need of more democratic industrial management to gain this end has been discussed.

11. *Utilization of the Knowledge of the Workers.* Another industrial problem, and one which is rapidly gaining recognition in the science of personnel management is the problem of utilizing the hitherto unused knowledge of the workers regarding the industrial process. This has been vaguely implied in the foregoing pages when speaking of the workers' cooperation. The discussion so far has emphasized the need of the willing, active cooperation of the worker in carrying out the clearly defined plans of the management. The proposition here is that the workers themselves have much knowledge which, if utilized, would increase industrial efficiency.

This phase of the theory of more democratic industrial management is set forth in the Whitley Committee Report, recommending the formation of joint councils in English industries. Among other purposes of these councils, the following are stated: the better utilization of the practical knowledge and experience of the workpeople; industrial research; full consideration and utilization of inventions and improvements designed by the workpeople; improvements of processes, machinery, and organization.

The following quotation from the "Browning Platform," a pamphlet setting forth the theory of democratic industrial man-

agement as practiced in the Browning Co. of Cleveland, is a typical statement of the point in hand. The "Platform" reads:

"The men who work at the machines, the men who erect the cranes, the men who inspect the finished product, all are in positions of peculiar advantage to see opportunities for improving workmanship, for simplifying designs, for avoiding waste, for speeding up manufacturing methods and for guarding against error or defect in the crane as it leaves the plant. Each sees the process from an angle entirely his own. At 'Browning,' this brain power and this opportunity for improvements are not allowed to go to waste. The 'Browning Plan' allows each worker to prove his own thinking ability to the advantage of himself, his company, and his fellow workers."

Perhaps the most significant evidence of the widespread belief in the fact that the workers have much valuable but unapplied knowledge is found in the development of "suggestion systems," as a part of the science of personnel management. The suggestion system is a plan whereby there is created a definite machinery for collecting and giving careful consideration to all suggestions which the workers can give, and which might lead to increased efficiency. Provision is supposed to be made for payment in proportion to the value of these suggestions.

The problem which immediately arises here is: How are these suggestions considered? Who investigates and passes upon the value of these suggestions? If the employee has thought out some invention, some improvement in machinery, or conceived some improvement in a production process or method, he is prone to exaggerate its possibilities; consequently when the customary five, ten, or twenty-five dollar reward is given him, he concludes that his good intentions have not been appreciated, and that the benefits of his effort to increase production have been enjoyed mostly by the employer. He probably had little love for employers before, and now he has less. Thus the autocratically managed suggestion system has oftentimes been found not only to defeat itself, but to increase the ill will of the employees. It was this problem that the Whitley Committee had in mind when it urged the creation of joint councils in industry in order to secure "the adequate safeguarding of the rights of the designers of inventions and improvements."

The solution again is more democratic industrial management. The workers must have a share in the administration of the suggestion system, so that they may learn through their own administration that they are receiving a fair reward for their suggestions. The same situation characterizes the whole problem of getting the workers to volunteer their knowledge of possible industrial improvements. Their good will, their desire to cooperate, must be gained first, and that must be based upon their belief that their efforts will be justly rewarded.

12. *Promotion.* Promotion occupies a position of prime importance in the field of industrial incentives. Without doubt, the most powerful incentive to do more and better work, and to cooperate wholeheartedly in the production process, is the conviction in the worker's mind that if he shows ability and serves faithfully, he will be rewarded by promotion.

Autocratic control of industry has failed to a considerable extent to make the most of this incentive as a means to increased efficiency. The reason that it has failed is inherent in the nature of autocratic control. Promotion has been in the hands of certain officials who could exercise arbitrary power respecting it. This has made it subject to all the limitations of the individuals exercising such arbitrary power. Favoritism, prejudice, likes and dislikes, grudges and enmities, race hatred, religious prejudice, politics, graft, jealousy, ignorance, spite, revenge, unjust discrimination, are among the many obstacles to successful autocratic control of promotion. Is the worker a Catholic and does the foreman or superintendent hate Catholics? Is the worker a Jew and does the official hold a hatred for Jews? Is the worker a negro and does the official hate negroes? Or in any of these causes is the choice between one of the official's own race, religion, or set, and one of some other race, religion, or set? Has the official a friend or a pal in the group or outside the group, that he wishes to help along? Has the official or some other official a relative to be helped? Have there been petty likes and dislikes and jealousies in the shop, and when one worker is promoted to a position of power or influence does he remember these? Are there foremen or officials who will promote the man who will tip them off properly? These are but a few of the questions which exist in the minds of the workers respecting the possibility of

gaining promotion under autocratic control. In a great many concerns, the mass of the workers hold little hope of promotion, and it is safe to say that the general situation is one in which the possibilities of this incentive are little realized.

The most significant single source of evidence of the truth of the situation just described is found in the literature and articles of scientific management, in which a determined fight has been waged against the inefficient use of the promotion incentive. The claim is set forth that inefficiency in arbitrary personal rule can be replaced by the rule of facts, so that promotion will depend upon definite accomplishments.

There is no doubt that scientific management can do much in this direction. But, if the position defended at length in the early part of this discussion is well taken, the lack of confidence in management, which exists among the workers, is extended to the management's agents and experts. It was shown that scientific management must be based upon the confidence of the worker and resulting good will and cooperation. Therefore, the ideal situation is one in which there is the rule of facts, or promotion based purely on accurately measured accomplishments; and in which the accomplishments of the worker are measured and recorded by scientific experts in cooperation with representatives of the workers.

Summary

In the foregoing pages an effort has been made to state the theory underlying the council movement. The theory as presented may be summarized as follows:

The various council plans, herein discussed, have as their common and essential attribute the extension to the worker of a larger share in the control of industrial relations. They constitute, therefore, a definite step in the direction of more democratic industrial management.

These councils have been fostered by employers and governmental authorities. The immediate aims of these sponsors of the movement have been to eliminate ill will and industrial warfare; to gain good will and cooperation; to increase production; to substitute local collective bargaining for collective bargaining with unions; or to avoid the coming of more radical changes in industrial organization. But the council movement, viewed in its

larger aspect, is properly interpreted as a result of a broader evolutionary movement toward more democratic industrial management. The reason for governments and employing classes fostering the council movement has been found to lie in the fact that in such a step toward more democratic industrial management, they have found their only means of obtaining that increased efficiency which depends upon the workers' good will and cooperation.

CHAPTER IV

RESULTS ACCOMPLISHED BY NON-UNION COUNCILS IN THE UNITED STATES

It has been estimated that there are between seven and eight hundred non-union council plans in operation in American industrial concerns, and that more than a million workers are participating in them.

Theoretically, these councils constitute a step in the direction of more democratic industrial management, and obtain for the worker a larger share in industrial control. The extensive claims made concerning the results which such councils will achieve have been described in the preceding chapter. The present chapter is devoted to a survey of the results accomplished by existing councils. Such an inquiry falls logically into two parts: first, as to what extent these councils have achieved democratic industrial management; and second, as to what definite results have been accomplished by reason of this democratic management.

1. *The Extent to Which These Non-Union Councils Have Achieved More Democratic Industrial Management.* One method of determining to what extent these councils have achieved democratic industrial management is by determining how much authority or power is exercised by the workers through such councils.

Of one hundred American non-union council plans which have been examined, 52% provide for final arbitration of all matters upon which the workers and the management's representatives have been unable to agree. While this does not place final authority and control in the hands of the workers, it does put them upon a more nearly equal footing with the employer, in that the workers' representatives can force any matter through to final settlement by some impartial arbitration board which has been accepted by them.

Another 14% of the plans studied provide for final settlement by a joint works council of management and men. In a few of these cases, a unanimous vote, or a majority vote within both the

Note: All quotations in this chapter for which no reference is given are taken from replies received in answer to questionnaires sent to over two hundred firms. It has been necessary to omit reference to the source of such replies.

management and workers' groups, is necessary. In all cases, at least a majority vote is necessary. No measure which all of the management representatives oppose may be passed. In these plans no provision is made concerning the action taken if such joint councils cannot agree.

Thirty-two percent of the plans provide that in the event the joint works council or the works council, whichever ranks the higher in the line of procedure, cannot agree, or the decision of such a council or committee is not satisfactory to the worker or workers involved, final settlement is by one of the highest company officials or a committee of such officials.

However, practically all of the plans provide for the following regular procedure for all matters needing adjustment: A matter can be initiated either by the individual workers, by the joint works council or other representative bodies, or by the management. There is no limitation in any of the plans studied as to what matters can be considered by these representative bodies. Special committees, limited to certain subjects, are oftentimes provided, but in all the plants there is some provision for consideration of all possible matters needing adjustment. Almost all the plans provide that matters be first presented by the worker or his representative to the foreman or some other lower official. This makes of the worker, or his representative, and the foreman the first joint committee by which the matter may be discussed and settled. If no satisfactory settlement is reached, it then goes on to the next higher committee or council. Failing of settlement there, the matter goes on to the next higher body, and so on up to arbitration or the highest council or company official. In other words, there are several steps in the procedure, at any one of which final settlement may be reached, if the required vote is obtained and no appeal is made.

It appears that in a majority of these councils a very large step in the direction of more democratic control has been taken by providing for discussion and settlement of all matters by joint bodies of management and men, with final arbitration in case of disagreement.

In estimating the extent of authority exercised by these plans, wherein no final arbitration is provided in case of disagreement by the joint bodies, and final decisions are made by members of

the management, it is important to inquire whether or not such ultimate powers have been exercised by such officials. Wm. Demuth, president of Wm. Demuth and Co., in answer to the question, "What happens when the House and Senate pass a bill which is disapproved by the Cabinet?" states that "no such situation has arisen. The Cabinet has the power to veto, but has never exercised it."[1] P. W. Litchfield, of the Goodyear Tire and Rubber Co., reports that no vetoes have been necessary in the history of their plan.[2] B. C. Forbes, who made an extensive investigation of this movement, says that he found no cases where it had been necessary for an executive to use the veto power.[3] The Nunn, Bush, and Weldon Shoe Co. reports that no case has as yet gone beyond the council.[4] Mr. Stafford, of Swift and Co., Chicago, reports the same record in their case. He also adds that very few cases ever reach the general assembly. William Basset, who has organized many plans for democratic industrial management, says:

"Over all, the executives should for the present retain the right of veto. But I have never known an executive who found it necessary to exercise the veto. Out of some hundreds of cases of quasi-democratic shop government, I have yet to find a radical measure that passed."[5]

John Leitch, who has installed a score or more of council plans, reports as follows: "The cabinet is primarily an executive body. It has the power to veto, but I have never known that power to be exercised."[6]

The same general situation exists regarding the use of arbitration. There have been discovered only a few instances of resort to arbitration. A. H. Young says that in all the extensive experience of the International Harvester Co. with works councils in its twenty-one plants, no case has gone to arbitration. The Colorado Fuel and Iron Co. has the same record. The general situation seems to be that in the practical working of these plans, final settlement, either by arbitration or by high company of-

[1]Tipper, H., *Automotive Industry*, Vol. 40, September, 1919, p. 1208.
[2]*System*, Vol. 37, March, 1920, p. 475.
[3]*Iron Age*, Vol. 104, July 24, 1919, p. 239.
[4]*Factory*, Vol. 25, July 1, 1920, p. 41.
[5]Basset, Wm., *When the Workmen Help You Manage*, p. 242.
[6]Leitch, John, *Man to Man*, p. 141.

ficials, occurs only in exceptional and very infrequent instances. It is impossible to determine whether or not the existence of such provisions exercises any considerable influence on the nature of the decisions reached by the various representative bodies. The fact that the case would be referred to the president or works manager if there had been failure to settle it satisfactorily in the representative body would not necessarily influence the workers in the representative body to adopt a decision less favorable to themselves. They might well assume that their persistent demand for a more favorable decision would have some influence upon the higher officials.

The fact that practically all matters considered by the various representative bodies, whether joint council, joint committees, council, or committees of workers only, are satisfactorily settled without reference to final authorities, seems to indicate that the workers are able to exercise a sufficient voice in control to obtain reasonably satisfactory settlements.

In this connection it has been suggested that the workers' representatives in joint councils are not capable of defending their interests; and that the employer's representatives, being more capable speakers, are able to dominate the meetings and persuade the workers to accept settlements favorable to the company. There is evidence that to some extent such a condition does exist. But the fact that the decisions reached in the many works councils in which the management is not represented are as generally accepted without veto or interference by the management as are the decisions of joint councils, seems to show that domination by capable management representatives is not a prevailing condition. It is obvious that an important consideration in this connection is the grade of workman involved.

Another reason sometimes given to show that these councils do not give the workers a real share in industrial management, is that the managers control the elections, and have men elected who will be favorable to the management. Those making such accusations have given no specific evidence, and in the course of this investigation there has been no discovery of evidence of such a condition. That any employer would expect to influence large numbers of the working men to vote for a "company man" and then later expect those workers, or their friends, to believe that

the elected council would give them a square deal is highly improbable. On the contrary, employers have generally testified to the need of great care to avoid giving the workers the least semblance of an excuse for claiming that the plan is manipulated from above.

A more serious charge made against works council plans is that the employers do not present to the employees honest data which must serve as a basis for their decisions respecting wages, hours, conditions, profit-sharing, production dividends, and similar important matters. The Filene Co. of Boston allows its employees to hire an expert accountant to go through the concern's books and learn for itself the facts of its financial condition. The Browning Co. has democratic administration of its profit-sharing plan, which permits its employees to verify to their own satisfaction all statements regarding profits. The Dutchess Bleachery Co. in its booklet describing its Partnership Plan, states as follows:

"The final essential in partnership, knowledge of the affairs of the company, is provided for by providing the Board of Operatives with copies of the audited monthly statements of the company. These are kept at the office of the Board of Operatives and may be seen by any operator on request."

The following extract from a pamphlet published by an eastern firm shows a different attitude toward this question:

"While this case was being heard, one member proposed that the board (joint works council) ask to see the company's books. He thought it would help in fixing the wages if the board knew how much the company was making. Another employee said he couldn't see how the company's profits had anything to do with the wages of an individual.

" 'Wages depended,' he said, 'not on what the company was earning, but on the labor market. If semi-skilled workmen were doing a certain class of work and their wages were raised to what skilled workmen were paid outside, what was to keep the company from hiring skilled workmen? The board did not want to get any of the force on such high wages that it would be an economy to discharge them.'

"There was a good deal of discussion over the question, but this argument won. The board decided not to ask for the books."

Another interesting example of the attitude of one firm toward certain financial problems is given in the following extract from a pamphlet published by the Illinois Manufacturers' Association:

"A MEMBER: May I ask a question? In the discussion of rates and wages and pay, Mr. Young, does the element of what the management receives in the way of compensation ever enter into it? Is that made public in the Council meetings?

"MR. YOUNG: The question arose only at the adoption of the Council plan. I remember how we debated as to what we would say if that question came up, but it never has come up in three years. They have not asked what the superintendent got or what Mr. Utley got, or anything. They have confined it to mutual relationships in which they have felt they had a right to participate. If that question were asked, the answer would be specific. We retain unto the management the executive power, and we would perpetuate our management by paying whatever wages we felt it was necessary to pay to get the men we want.

"THE MEMBER: And that would be no concern to the Council whatever?

"MR. YOUNG: Probably that would be the answer."[7]

In the replies to the questionnaire sent out, only six companies state that they permit the employees to verify their statements respecting the profits of the company. Four companies state that their workers have shown no desire to investigate the financial secrets of the firm. The general situation is that the representative bodies are dependent upon the statements of the management respecting financial and other inside business facts. This must be regarded as a possible point of weakness in the majority of the non-union employee representative plans. If the management desires to misinform the various councils or committees it is possible for it to do so. However, it is doubtful if this difficulty is any greater for the local council than it is for the unions.

Another thing which should be mentioned in this connection is the general ignorance of the employees respecting the intricacies of business finance and other management problems. In view of the fact that the workers' representatives in these representative bodies are informed concerning these managerial problems by the

[7] *Some Experiences in Industrial Cooperation*, an address by Arthur H. Young at meeting of Illinois Manufacturers' Association, December 13, 1921.

company officials, it becomes apparent that there is great opportunity for the management to misrepresent the exigencies of the firm, and lead employees to a wrong conclusion respecting the possibilities of increased wages or shorter hours, the need of reduced wages, or the firm's ability to improve working conditions. To what extent employee representation plans are thus manipulated to serve the ends of unscrupulous employers, the outsider cannot easily determine. Even the government tax-gatherers find it difficult to learn the financial conditions of many business concerns.

However, there are a great many problems which are vitally important to the worker, the full understanding of which does not necessitate a knowledge of managerial problems and of the financial condition of the company. The application of wage rates to individual workers; the question of discipline, including discharge and shop rules and regulations; the setting of work standards; the transferring of workers; the petty troubles between the foreman and the worker; the whole problem of installing scientific management in the plant; the regulation of piece-rates to avoid rate cutting; promotion; and similar problems of great interest and importance to the worker can be considered intelligently by the workers without dependence upon the management for information. The fact that the various representative bodies reach a settlement in practically all cases of this nature without appeal to any final authority indicates a very large amount of truly democratic control.

A further matter is that of discrimination. To what extent will the fear of discrimination by officials in their treatment of the representatives deter these representatives from freely defending their own interests and the interests of their fellow workers? This is another one of those questions which can never be accurately answered. To determine to what extent the various representatives think about such matters and to what extent they are influenced by such conditions, is impossible. However, it is quite commonly believed that where the foreman, shop superintendent, or department head holds arbitrary power of discharge or of promotion, the employee is very slow to make either complaints or suggestions for fear of offending such an official. In most American non-union council plans special provision is made that no discrimination shall be practiced. The following provision is a typical example:

"It is understood that every representative shall be free to discharge his duties in an independent manner without fear that his individual relations with the company may be affected in the least degree by any action taken by him in good faith in his representative capacity.

"To insure each representative his right to independent action, he shall have the right to take the question of an alleged personal discrimination against him on account of his acts in his representative capacity to the Director of Industrial Relations or to any of the superior operating officers, including the president of the company.

"Having exercised this right in the consecutive order indicated, and failing a satisfactory remedy within fifteen days, a representative shall have, for the ensuing fifteen days, the further right of appeal to the Secretary of Labor at Washington."[8]

The fact which makes these provisions significant is that under most of the plans all complaints of discrimination can be carried through to higher officials and to joint works councils or works councils, where investigation and impartial consideration are accorded. This has the effect of taking matters of discharge and promotion out of the hands of petty officials.

Nevertheless, the fear of discrimination constitutes a possible obstacle to the success of joint council plans. The official can find ways and means to injure any employee who has incurred his dislike. This fact the workers realize. However, there is no evidence to show that it is a serious handicap. The plans seem to be working, and the workers seem to be using them extensively. The natural result of continued successful operation of such plans will be to lessen this obstacle.

It must be remembered also that the employees can do much harm to higher officers. "Officials are being chosen more and more because of their ability to handle men," and failure on the part of an official to gain the good will and cooperation of his men is regarded unfavorably. Because of this, the workers have much power to discriminate against officials, especially in the representative assemblies where they get the hearing of the highest officials. This equality of power between officials and workers respecting discrimination tends to gain real democracy.

[8]Constitution of Standard Oil Co. (Indiana) plan.

Finally, the fact should be noted that many employers deny that discrimination is ever practiced, because to permit such a thing would be to bring certain disaster upon the plan. There is much truth in this attitude. These plans can never be seriously abused, because they cannot function without the good will and cooperation of the workers. On the other hand, there seems to be danger of the management getting into trouble if it does not discriminate against employee representatives. In the course of this investigation, two instances have been found where employers, impressed with the ability and good character of employee representatives, have promoted them to executive positions; whereupon the men have accused the management of robbing them purposely of their most capable leaders, by making company men of them. The manager's task is not always an easy one.

In estimating the degree of real democratic industrial management reached in these council plans, it is also significant to notice what subjects have actually been handled.

The succeeding discussion is based upon the answers received from approximately one hundred plans to the request that they "give a complete list of subjects which workers' committees have considered and assisted in handling." Some of the answers were in general terms. Four said, "All questions which concern employees." Seven answered to the effect that "at one time or another they have considered almost everything." One wrote, "Anything pertaining to factory management." Another answered, "Works councils used almost wholly for constructive suggestion."

The following are examples of answers received:

"We endeavor to operate the plans from a very broad and liberal standpoint, welcoming for discussion any matter whatsoever which may be presented by the employees, and feeling free, on the other side, to present to the shop representatives any problem that may be troubling the management."

"Our council has not been limited in any way as to matters which it should take up."

"All forms of welfare work, wage scales and piece-rates, application of such scales or rates to individuals, labor turnover, production processes, business policies, unemployment, stabilizing

employment, working conditions, hours, discipline, wage reductions, reduction and increasing of working hours."

AMERICAN MULTIGRAPH CO.

"Welfare work, wage scales and piece-rates, labor turnover, housing, election of manager, production processes, business policies, unemployment, working conditions, hours, discipline."

DUTCHESS BLEACHERY, INC.

"In the course of a year the cooperative committees will pass on approximately 300 subjects, which may be grouped under the following heads: welfare work, wage scales, working conditions, discipline, uniforms, purchasing stock in company, savings fund, pensions." PHILADELPHIA RAPID TRANSIT CO.

"During the three or four years of its existence the subjects under consideration by the council of our cooperative association have been entirely too numerous to cover by an answer to a questionnaire. The procedure fills three good sized minute books and covers a great range of subjects, including working conditions, hours, wages, on time bonus, management of cafeteria and dispensary, condition of the plant, athletics, entertainment, educational activities, etc." LEEDS, NORTHRUP CO.

"It would be practically impossible to give a complete list of subjects which have been handled jointly or by employee representatives under our industrial representation plan. The plan itself leaves the way open for practically unlimited scope as to the subjects of joint negotiation. During the more than six years of our experience, the matters considered have included some falling under practically every imaginable topic of interest to the workman and the management. Naturally, these topics have included wages, hours and working conditions, social and living conditions, safety, sanitation, housing, medical treatment, social activities, efficiency, unemployment and discipline."

COLORADO FUEL AND IRON CO.

"The matters which may come before the council are not limited. Anything of importance to the welfare of the Hood organization may be brought up. H. P. HOOD AND SONS

In a report sent by the Bethlehem Steel Co. these facts are given:

Of 250 cases, 85% were settled in favor of employees. From the same number of cases the following classifications were made:

Employment and working conditions, 30%

Wages, hours or work bonus, piece-work and tonnage schedules, 20%

Health and works sanitation, 10%

Safety and prevention of accidents, 10%

Employees' transportation, 10%

Practice methods and economy, 10%

8% were distributed among the following subjects: housing; domestic economies and living conditions; education and publications; pensions and relief; athletics and recreation; continuous employment; conditions of industry.

The Standard Oil Co. (New Jersey) reports the following classification of 119 matters considered by their joint works council: wages, 38%; working conditions, 10%; promotion and discharge, 9%; hours, 8.5%; industrial plan, 8.5%; housing, 3%; sanitation, 3%; social, 3%; miscellaneous, 9%.

The following comparative tabulation of the subjects dealt with in the Industrial Cooperative Relations meetings held during 1919 and 1920 was sent by the Bridgeport Brass Co.:

	Year of 1919		Year of 1920	
	Number of Persons	Percent	Number of Persons	Percent
1. Disability and life insurance..	32	13	38	17
2. Safety and sanitation.....	27	11	23	10.5
3. Athletic and recreation.....	76	30.5	80	36.5
4. Americanization and education	23	9	21	10
5. Wages and working conditions	37	15	29	13
6. Plant economies.....	22	9	21	10
7. Miscellaneous.....	31	12.5	7	3
8. Total.....	248	100	219	100

Swift and Company have published the following analysis of cases handled, of the method of handling them, and of their final disposal:[9]

[9] *Capital and Labor Cooperating*, plant publication of Swift and Co., 1922.

Analysis of Cases

Accommodations for Employees	42
Wage Adjustments	78
Hours of Plant and of large groups	8
Safety	23
Sanitation and Working Conditions	57
Plant Equipment	20
Dressing Rooms	27
Disputes with Foreman	68
Working hours, Adjustments for individuals	14
Restaurant	12
Recreation	4
Suggestions for Improvement	15
Disputed Plant Rulings	48
Employees' Benefit Association	3
Cases withdrawn by Representatives	1
Cases pending further investigation	1
	421

Method of Handling

Handled by Joint Representatives in Voting Divisions	240
Handled by Committee on Rules, Elections, and Procedure	5
Handled by Committee on Interpretations and Disputes of Plant Rulings	45
Handled by Committee on Changes in Working Conditions	33
Handled by Full Assembly	94
Withdrawn	3
Pending	1
	421

Final Disposal

In favor of Employees	291
In favor of Management	126
Withdrawn	3
Pending	1
	421

In the three plants of one large company 154 cases were presented in four months. One hundred thirty-two were granted as presented. They included cases of apprenticeship, back pay, charity, deportment, discharge, docking of pay, economy, employment, equipment, health, holidays, lighting, living conditions,

machine equipment, overtime, pay methods, pay time, piece work, promotion, quitting time, relief, rules, safety, sanitation, shifts, short pay, suspension, termination, theft, working conditions, time clocks, and repairs.

Upon the basis of all the replies to the questionnaire, and all the other material available, the following summary has been compiled. This summary indicates the subjects considered by the works councils, and the number of different works councils which are known to have considered each subject.

Major Group

Grievances—90. (This topic overlaps the others.)

Working conditions—80. This includes sanitation, accident prevention, all health conditions, ventilation, lighting, heat, and orderliness.

Wages—75.

Hours—75.

Discipline—64. This includes suspension, discharge, and making shop rules.

Minor Group

Recreation—39. This includes welfare work, athletics, entertainments, etc.

Improvements in manufacturing processes—35. Reference is made in these replies to elimination of waste, tool improvements, new equipment, re-routing materials, and inspection methods.

Tardiness—22.

Absenteeism—18.

Unemployment—18.

Education—15.

Cooperative buying of supplies—14.

Plant restaurants—13.

Housing conditions—12.

Plant magazine—10.

Assignment of work—10.

In addition to these major and minor groups, the following topics appear in reports of council activities:

Cooperation with civic agencies such as Y. M. C. A.—3.

Employee representation plan in other companies—1.

General economic surveys—3.

Americanization—2.

Purchase of supplies through the company—2.
Thrift and savings plan—4.
Stock purchase—3.
Relief for needy employees and families—3.
Street car transportation—3.
Observance of holidays—7.
Cost of living statistics—7.
General wage surveys—4.
Volume and cost of terminations of service—1.
Job analysis, and job specifications—4.
Reinstatement of employees—8.
Hospitals, medical treatment, dispensary—4.
Sick benefits—8.
Pensions—2.
Hiring. (Particular worker.)—4.
Employee's Guide Book—1.
Market conditions for product—1.
Labor turnover—4.
Classification of occupations—3.
Payment of overtime—1.
Acquainting new employees with job, and with provisions of plan or representation by instruction through foreman—1.
Methods of paying off—2.
Adjustment of factory hours to accommodate manufacturing schedules—1.
Disability and life insurance—3.
On time bonus—1.
Election of manager—1.
Promotion—4.
Reduction of wages—8.
Vaccination against small-pox—1.
Physical examination of applicants—8.

These statistics are not offered without certain qualifications. In the first place, many of the answers to the questionnaire have been of a very cursory nature, and quite evidently not based upon any careful examination of records. The tendency may have been to enumerate certain more important topics to the neglect of many other topics that were handled. The few available digests which analyze the character of questions handled and which give

the number of times each topic has been considered, indicate that questions of the nature of welfare work, such as education and recreation, occupy slightly more of the time of these committees than the figures given above would seem to indicate.

This summary, together with the statistics preceding it, is indicative of the wide variety of topics dealt with by works councils, and the relative amount of attention given to the various subjects. It appears that there is little significance in the criticism that the activities of these councils are so diverted to welfare work, athletics, and minor grievances that important problems of industrial relations are not considered.

The conclusion that may be reached is that, in actual practice, these council plans have afforded to the worker a considerable share in management. The wide variety of subjects dealt with; the frequent consideration of the most important topics, such as wages, hours, conditions of work, and discipline; and the fact that satisfactory agreements have been generally reached in these joint bodies without reference to final arbitrators, seem to warrant this conclusion.

2. *The Results of More Democratic Industrial Management Through Joint Councils.* The question considered in this section is: To what extent has experience with these non-union joint councils supported the theory, that under more democratic industrial management the workers will receive more just treatment; that they will have more confidence in the management; and that good will, cooperation, and increased efficiency will result?

3. *General Satisfaction With These Plans.* Most employers have professed that their reason for fostering employee representation plans has been the desire to gain the good will and cooperation of their workers, as a means to the end of greater efficiency in the utilization of the human factor in industry. In the light of this professed desire, the testimony of these employers, to the effect that their democratic plans have been a success, may be offered as evidence that their purpose has been accomplished. Evidence of this character is so abundant that only a few examples can be given here.

A. B. Farquahar and Co. report respecting their council plan that "the system has so far worked admirably."[10]

B. C. Forbes of the Forbes magazine, who investigated a number of plans, writes that "experience has taught that the results are satisfactory beyond all imaginings."[11]

One manager writes: "Industrial strife from a personal standpoint does not worry us at all. While there have been labor troubles in the east, we have gone serenely forward with our work."

A letter received from Sidney Blumenthal and Co. reads: "Industrial democracy has been in continuous successful operation ever since. (It was adopted four years ago.)"

The following quotation was taken from a letter from the Cambria Steel Co.: "The plan has been in use with satisfactory results. It has been helpful to both the employer and to the employee, in my opinion."

The General Electric Co. Lynn Works report: "We wish to state emphatically that our experience with the shop committee system has been very satisfactory, and we feel that in this statement we are upheld by the large body of our employees. The plan is functioning under present conditions fully as well as it did during more prosperous times, and we feel in this that it has passed through a severe test."

The attitude of the Browning Co. is indicated by the following statement: "We can hardly add anything to these documents, except express the utmost enthusiasm for the plan that we worked under during the past four years until we closed down. The moment we open up, the old arrangement will be started with the same enthusiasm and sincerity."

In a letter from the Dennison Manufacturing Co. this statement is found: "Altogether our experience with our works committee has been a happy one and based as it is upon the recognition of fellowship between the employer and the employee, has been productive of good will."

President E. E. Bross of Traub Manufacturing Co. states: "We have found that it not only yields greater returns to every-

[10] *Annals of the American Academy of Political and Social Science*, Vol. XC, July, 1920, p. 100.

[11] *Iron Age*, Vol. 104, July 24, 1919, p. 239.

one concerned but that it has brought about a genuine spirit of cooperation that cannot be valued in terms of dollars and cents."[12]

Wm. Demuth writes: "The relationship between employer and employees is the happiest it has ever been."

Another firm says: "Of greatest benefit, we feel, is the influence that the plan has had on employees by way of improving their morale. Without a high state of morale among the employees, it is futile to talk of increasing production, reducing costs, or accomplishing anything else."

Still another firm reports as follows: "The chief benefit received is that we are able to understand each other's points of view better and are able to explain our policy to get the cooperation of the employees."

Altogether, the favorable testimony of more than one hundred firms has been noted in the course of this investigation, with only here and there an isolated note of dissatisfaction. The conclusion seems warranted that these plans of more democratic industrial management have generally accomplished the purpose of gaining more good will and cooperation from the workers.

However, various interpretations may be given to this mass of evidence regarding the satisfaction of employees with the council plans. As noted above, it may be regarded as evidence that these plans have accomplished the professed purpose of gaining increased good will, cooperation, and efficiency. On the whole, such a conclusion seems warranted; nevertheless, a question must be raised at this point. If the employers are fostering works council plans in order to further certain ulterior aims, such as a long run adverse effect upon unionism, their enthusiastic praising of these councils must be correspondingly discounted.

There is no direct evidence available to show whether or not more justice to the workers has been attained through these experiments in democratic industrial management. The fact that the workers have been better satisfied with conditions, as shown by their improved spirit of good will and cooperation, may or may not be evidence that greater justice has been attained. The value of these results as evidence of greater justice depends upon the truth of the assumption that this spirit of good will and cooperation and resulting efficiency would not have appeared unless the

[12] *Factory*, Vol. 25, p. 538.

workers had been treated more justly. Perhaps this may be accepted as the general situation, but attention must be called again to the fact that these plans of more democratic industrial management may be used effectively to make the workers *believe* that they are getting justice when they are not; and the employers are often, if they so desire, in a position in which they have the opportunity to deceive the workers concerning the vital questions of justice in wages, hours, conditions, profits, and financial policies.

Reference must also be made again to those matters, the handling of which does not involve knowledge which the workers do not have, or cannot easily get. The satisfactory settlement of such matters, without reference to final authorities or arbitrators, constitutes reasonably accurate proof that justice has been approximated.

4. *Specific Examples of Increased Efficiency.* The theory that more democratic management would bring increased efficiency in utilizing the human factor in industry, finds much support in the many specific instances of increased efficiency reported by concerns having a council plan. A few of the more significant of these specific examples are worthy of attention.

At this point it is also important to recall that one of the arguments advanced by proponents of more democratic industrial management is that the workers have much valuable knowledge of a constructive character which can be utilized only under democratic industrial management. The following discussion of specific examples of increased efficiency afford much support to such an argument.

The officials of the Packard Piano Co. are enthusiastic about what they call "industrial democracy." This plant had failed in an attempt to install scientific management. It had a strike in 1912 because an efficiency expert tried to introduce time and motion studies. But under a more democratic industrial management, the men have completely changed. They have cooperated wholeheartedly in responding to a financial incentive plan, time and motion studies, and all possible phases of scientific management. They are becoming famous for their motto: "Every man an efficient engineer." This plant claims that with 168 men it is now doing more work than it formerly did with 268 men, and that

working hours have been reduced and wages increased over 100%. The workers themselves have shown such an interest in eliminating waste that they have cut the cost of water used in one year from $309.91 to $31.82, or a saving of 90%. They also saved $4656.24 in one year on the coal bill, having found that two men and two boilers could be dispensed with in furnishing the power.[13]

The Printz-Biederman Co. of Cleveland reports a production of nearly 50% in advance of all previous records. A textile manufacturing plant increased production over one-third within a year, eliminated all overtime and Sunday work, and also cut the working time from ten to nine hours. On account of the cooperative spirit of the employees, the American Multigraph Co. has increased production more than 40% over its former standard for a year. At the Atlantic Refining Co. of Cleveland, the productive increase per dollar paid in wages is represented by these startling figures: April, 18%; May, 21%; June, 33½%; July, 44%; and August, 74%. An Ohio Steel fabricating plant paid riveters 37.8 cents and 28.3 cents per hour in April, 1917. The record for the assembly room then stood at 15,017 rivets. Exactly four months later they were paying 47.2 cents and 35.4 cents respectively to the same classes of men, but the average of rivets had risen to 18,967.

Wm. McKenzie, president and manager of the Crookston Times Printing Co., states that there has been a great increase in the volume of business in his company. He also adds: "And right here it might be mentioned that some of this increase in volume was due to activities among the employees in securing business by personal solicitation among their friends. Job work, subscriptions, advertising, were picked up during their idle hours. Indeed there has developed a great deal of rivalry among the employees in this respect and the interest taken and the pride exhibited when some new business man has been secured are most gratifying. They are gradually developing a business sense which will stand them in good stead should they ever go into business for themselves."[14]

The White Motor Co. reports that since 1914 wages have increased 110%; but labor costs have increased less than 7% of the

[13] Leitch, John, *Man to Man*, p. 50.
[14] *System*, Vol. 37, April, 1920, p. 753.

value of the product. Materials, representing about 52% of the value of the product, have increased 60% over the 1914 cost; however, in spite of these big advances in labor and material prices, its product has been marketed at an advance of only 10% over 1914 prices.

J. M. Williams of the Fayette R. Plumb Co., Philadelphia, says that working time has been decreased 17.4% and production increased 14½%.[15]

The Browning Co. of Cleveland makes the statement concerning production that under an eight-hour day in 1919 it produced 5.4% more tons per man per month than in 1918 under a nine-hour day.

In the Wayne Knitting Mills a great increase in production is reported. The workers there have made many valuable suggestions as to means of eliminating waste, "raveling out of spoiled articles, and the use of this thread later in weaving; the salvage of the thread at the bottom of the spool which used to be thrown away; the saving of steps by a change in the position of the box holding the spools; and similar economies."

The following extract from material distributed by the American Multigraph Co. among the men in its shops is highly suggestive of the possibilities of democratic industrial management.

"The work of the Committee on Economies, Suggestions, and Improvements in our Product has proved to be one of the most important of the Multigraph Congress. It has collected and passed judgment on hundreds of suggestions that were turned in by the employees. Cash awards are made for all suggestions adopted. When suggestions are rejected, they are returned by this committee with a note of explanation as to the reason. A new suggestion box system has been installed by this committee. Standards for the payment of awards have been established which make it worth while for you to keep your eyes open and make suggestions. This committee works in connection with the Engineering Department, Production Department, and other Congressional committees.

"The Committee on Production Control has assisted in the enormous undertaking of increasing efficiency accompanied with

[15]Williams, J. M., *Annals of American Academy of Political and Social Science*, Vol. XC, July, 1920, p. 105.

increased earnings to the employees and the management. Production has been followed very closely by this group. It has suggested many improvements to the Production Department. This information was obtained by following our product through the manufacturing processes. Machine congestion has been investigated and recommendations offered to the Maintenance Department as to improvements. Advisory boards have been suggested as a means of improving production problems. This committee has worked unceasingly to the interests of the employees regarding improvements in their working conditions.

"The Committee on Time and Motion Study is composed of expert men capable of passing judgment on the big problems affecting the duties of machine operators and other help. It has assisted the Production Department in timing and rating over 1,100 operations. Employees have not complained in any instance as to the prices set being too low. This committee guarantees your piece work rate to be fair and high enough for you to make big money on. The chief aim of this committee is to benefit the employees by reducing fatigue and increasing earnings. The actual result from its work is the satisfaction displayed by the workmen about the earnings they now receive.

"The Committee on Spoiled Work digs in and gets to the seat of the trouble. Realizing the connection that spoiled work has to do with furthering the other congressional interests, immediate results are always obtained. The workmen are instructed as to the handicap resulting from spoiled work. The scrap reduction in the plant has been very noticeable through the excellent help from this committee.

"Through records obtained by the Committee on Attendance and Tardiness, information is at hand showing the efficiency lost by employees being absent or tardy. After pay day, absenteeism has been closely checked and recommendations offered where chronic absentees were concerned. Personal investigations have been conducted by this group, and great cooperation extended to department heads in establishing better conditions. Its aim is to prevent loss of time which is harmful to bigger Congressional workings. The absentee habit is not tolerated in this plant.

"Communication has been kept up between the factory and sales field concerning matters of the sale of the multigraph.

Many matters usually referred to Service Departments have been looked after by the Committee on Sales Cooperation. Manufactured parts of inferior quality have been traced back and the source of trouble found and corrected. This has proved a great help to the user in the field. It has also been productive of a better and closer relationship between the Production and Sales Departments.

"When the Special Eight Hour Committee undertook to reduce the working hours of this plant (we were then a ten-hour shop), it was confronted with the biggest problem of the day—reduction in hours with increase in production was the undertaking. A detailed analysis was made of the situation. The committee investigated production methods from all angles. This included sources of supply, production control, machine production, assembly, and distribution. After the management had accepted suggestions from this committee as to production improvements—production quotas were set for a monthly out-put with the belief that as much work could be performed in nine hours as was being done in ten, and at less expense—the employees produced the required quotas. As soon as quotas were made, the Senate voted that the plant accept the Congress recommendation that a nine-hour working day be initiated as a basis of determining the possibilities of a future eight-hour day. This was done with the same daily wage applying as was received for the ten-hour working day. With this change in hours came increased production at less expense. This was shown by the Congressional Committee on Eight Hours in its final investigation. This committee has unceasingly shown the employees and management the value of cooperation in all matters regarding the manufacturing of our product. This work has been of great help to the Company in bettering conditions for the employees who at all times reap the benefits of the constructive workings of Congress."[16]

5. *Wages.* Many firms testify to the value of joint consideration and determination of wage rates. The general thought in these replies is that it has been found that mutually satisfactory rates can be arrived at more quickly, and that increased efficiency results from the good will that has been gained by working out wage scales under this plan.

[16] *What Congress is Doing,* American Multigraph Co. plant publication.

One firm reports that it is no longer worried by wage disputes. "All matters of wages are left to the committee and its recommendations are carried out. We know that it is not going to recommend a raise for a man who does not deserve it." It cites an example of this. "One employee became dissatisfied. He claimed that the workers at his trade made more elsewhere. The committee investigated and found that he was working only thirty-three hours a week instead of the usual forty-four. They advised him to work steadily for a month, and see what he made, and then they would adjust matters. He failed to do so, and they advised him to seek work elsewhere."

Eugene B. Clark, president of the Clark Equipment Co., states that their council deals with many wage adjustments; but that they are based upon "careful day to day investigation of individual jobs, and concern slightly different premium rates. The general trend is to give the men more money. However, there is nothing radical about them. When the men themselves help to make the rates, they give careful attention to the grading of rates according to the worth of the man."[17]

Mr. A. B. Rich of the Dennison Manufacturing Co. says that in analyzing, grading, and valuing operations, "this company has felt the need of the advice and criticism that its employees may give the management, and in consequence, for the last few years the employees have elected a works committee under rules and by-laws drawn up by a committee of the employees (which rules and by-laws were accepted by the management without alteration). The works committee, as will be noted hereafter, is always a potential and often an active factor in the determination of wages. Furthermore, the presence within the organization of a works committee whose responsibility it is to see that the employees, individually and as a whole, have a share in management, is evidence of the spirit of the company and of the reputation it has in the eyes of applicants for employment.

"In setting the wages for the different classes of work, it has been found to be a good plan to begin with the simplest types of work and make up rates for these first, and then advance, progressively, to the more difficult jobs.

[17] *System*, Vol. 36, December, 1919, p. 1079.

"So far, a final unanimity has always been arrived at before taking any further steps in making up a classification. In every case where a general modification of wages has been made, it has first been submitted to the works committee for its approval or criticism.

"At this conference, a considerable amount of criticism is usually forthcoming, and many helpful suggestions are made which tend to improve the classification and more clearly distinguish the different types of jobs.

"The works committee has in the past appointed a subcommittee to study the wage classifications, and has itself compared them with the 'going rates' of wages as they have appeared in the publications that the management used; and as far as it has been able to, it has checked them up from personal knowledge or investigation. With comparatively few minor changes, the basis for wages outlined have been accepted."[18]

In 1921, this company desired to reduce wages. It proposed this to the works committee and invited its cooperation by the following communication:

"Just how this can best be brought about we do not know. It is something that must be carefully worked out and applied sufficiently slowly so that it can be done with accuracy and fairness. The management is working now on plans to carry out this general policy, which it will submit to the works committee when completed, and will be glad to have the works committee, either directly or through a subcommittee, work on the same problem and propose plans for the execution of these policies, or make suggestions in regard to their execution."[19]

A conference committee, representing both the management and the works committee, was created. This committee then drew up plans by which the adjustment was accomplished. "The starting wages, or minimum and standard wages, were in practically all cases reduced to conform more nearly with general wage levels. Maximum rates were maintained. Individual re-rating with the new wage rates for basis was carried out within six weeks, and although all had the privilege of questioning their

[18] *The Annals of the American Academy of Political and Social Science*, Vol. C, March, 1922, pp. 20, 22, 24.

[19] *Ibid.*

final rating, either directly or through the works committee, only fourteen out of 2,500 raised any question in regard to their standing after the readjustment."[20]

The following passage is from material distributed by the American Multigraph Co.:

"Wage scales for every kind and grade of work, both manufacturing and office help, have been classified and rated by the Committee on Wages, Rates, and Compensation. These ratings were all based on the ability of the individual and the quality and quantity of work produced. All help is classified under first, second, and third class gradings with a minimum and maximum wage applying to each classification. Every employee has the opportunity of receiving higher wages by his progressing from the grade to which he was originally classed to the next higher step. As soon as you show yourself to be worth more, you get it. The wages set by this committee were established as standard by investigations conducted on the outside."

Mr. Frank J. Becvar, production superintendent of the Clothcraft Shops of the Joseph Feiss Company, in discussing their experience with rate fixing, makes the following statements:

"Any plans of wage-rate determination must, in order to be satisfactory, satisfy the workers affected on two questions that they raise either explicitly or unconsciously, viz: (1) Are the earning rates sufficient? (2) Are the various rates fair, relatively, one to another? The question of sufficiency refers not merely to what is needed for living but to other rates for the same grade of work in the community. The question of fairness involves such ideas as 'equal pay for equal work,' 'more pay for harder work,' and the like. We believe that our method of determining and adjusting wage rates yields satisfactory answers to these questions.

"Particularly is this true because we do not impose any determination or adjustment by arbitrary methods. We systematically review our classifications four times a year. We consider every operation and maintain or advance its class according to careful weighing of its contents. We drop an operation to a lower class whenever the operation itself has been changed so as to include a smaller proportion of the more difficult and valuable

[20] *Ibid.*

work elements. We submit to a wage committee and to the operatives affected our revisions with our reasons in advance of the pay period in which they are to go into effect; this gives the operatives time and opportunity to consider them and protest if they deem the revision wrong. Any such differences of opinion are carefully threshed out with the employees through their representative and the Employees' Council. Lowering the class of an operation occurs with great infrequency. When this is done, opportunity is sought to advance the operatives so affected, to a higher class, so that their earnings will not suffer. We have never yet been able to man fully the operations in our highest classes."[21]

One of the chief forms of testimony received respecting the success of works council plans has been that, in periods of depression when retrenchment became necessary, the employees have been fair and reasonable, and have adopted wage reductions without interruptions in work.

A. H. Young, manager of the Industrial Relations Department of the International Harvester Co., states that two reductions of wages have been adopted by their works council; one of 20%, and one of 12½%. In both cases there was almost unanimous consent.[22]

The following extract from a pamphlet published by the American Multigraph Co. describes its committees' activities during a period of depression:

"The real measure of the worth of an employees' congress, however, is found not in what it does when times are good, but rather in its record during a period of depression. Many industrial democracies were born during the war period on a rising labor market, when conditions were most favorable to their success. The great test, however, is now in progress, and many managers are awaiting its results with keen interest.

"It was to be expected that any organization of employees would vote for, and accept gracefully, any measure that increased wages or reduced working hours without loss to the workers; but how would such an organization react when economic conditions made retrenchment necessary? That was the question.

[21] *Ibid.*, pp. 17, 18.

[22] Pamphlet by the Illinois Manufacturing Association.

"Our Employees' Congress answered this question in a very fair and satisfactory manner. It became necessary for us to reduce the hours of work from six days a week, 44½ hours working time, to five days a week, 40 hours working time, and to reduce the force by about 20%. Each of these moves was made after a committee of the Employees' Congress had gone into the matter thoroughly and concurred with the management in the course taken.

"In the case of the men laid off, three lists were prepared—one list from the production records of the company, one list from the general impression of the foreman, and another list prepared by the Wage and Rates Committee which, then meeting jointly with the management, discussed each individual name and why it did, or did not, belong to the lay-off list. In this way we have accomplished a shrinkage and the men themselves were able to suggest just who should or should not be affected.

"A further retrenchment becoming necessary, a committee from Congress was called into conference with the Cabinet and presented with facts and figures pertaining to relationship of production and sales. After a full discussion and study of the facts presented, the committee made a brief investigation of inventories of raw and process material and finished stock which, as shown, were increasing to a point that was causing us to borrow large amounts of money to finance. This committee then reported its findings to Congress, which in substance were that in justice to the owners of the company the only recommendation they could make was a complete shut-down of the plant until such a time as the abnormal inventories could be sold.

"Upon receipt of this report by Congress it was approved and passed on to the Cabinet. The Cabinet in turn offered the alternative of a three day week without change of hourly rates, with the thought of maintaining as much of the organization as possible. This was, in turn, approved by Congress and put into effect.

"The value of handling a matter in this way cannot be overestimated. The investigations and reports of workmen carry weight with their co-workers and stimulate confidence in the management. The men realized they were getting the best deal possible under the existing circumstances.

"Statements of manufacturing costs were given with figures showing increase or decrease of hours necessary to produce our different products. Also the percentage of hourly increase in wages, increase in raw material and overhead spread over a term of six years—in fact, all possible information regarding the operation of the company's business was given to Congress for investigation. The best available figures showing reduction in living costs in Cleveland were given to the men, all of which showed the justice and necessity of reducing hourly rates.

"It was finally recommended by the Cabinet to Congress that the Company change from a three day week to full time basis of 44½ hours per week, with an average wage reduction of 20%. It was found from cost figures that the three day week was an uneconomic basis of operation due to the high, fixed overhead which could be eliminated. Also on the three day week the men were earning a weekly rate of slightly over 50% of their full time rate, whereas by working the full time with a 20% cut their weekly pay would amount to considerable more.

"The Wages and Rates Committee obtained all information needed for re-classifying the men according to efficiency and length of service. The Committee then established classifications for the work being performed. The worker's individual case was then taken up and all workers were placed in classifications according to rating made. Length of service automatically determined how near the maximum rate the worker would be paid."[23]

The William Demuth Co. closed its factory in Richmond Hill before Christmas and opened it again January 1, with 35% of the normal force on the pay roll. The president of the company went before the House of Representatives telling it that if he continued running up a weekly deficit, the plant would be forced to close down; thereupon the House of Representatives reduced the income of the piece-workers 20%, and day-workers, 10%. The president said he would restore the income as soon as business warranted it.

The Bridgeport Brass Co. had only half of its force working half the time. The general manager went before the council of

[23] *How Our Men Govern Themselves,* plant publication of American Multigraph Co.

workers, and told it that there was no business and money was tight. He asked the workers what solution they would propose; whereupon they immediately drew up the proposal of a horizontal wage reduction of 10%, revision of all pay preferential classifications, and abolishment of all overtime pay.

In many cases wage reductions have been voted as a means to prevent a further shut-down of the plant, which would necessitate unemployment and no wages to the workers. By some, these cases have been regarded as proof that the employers really do possess the power to control wages, and that the employees are at their mercy in these plans of so-called democratic industrial management. Nevertheless, the fact that these plants had shut down temporarily, had partially shut down, or had offered the workers their choice of part time work or reduced wages, seems to indicate that retrenchments were necessary.

6. *Reduced Labor Turnover.* In the questionnaire sent out, the question was asked, "What definite facts can you mention as evidence that your plan has helped increase efficiency?" Thirty-two firms reported a reduction in labor turnover. One firm stated that its labor turnover had been reduced 50% in the year and a half it had had a joint council plan in operation. Another firm, whose industry is highly seasonal and which employs mostly unmarried women among whom labor turnover is generally high, cited the following low percent of labor turnover for eleven months beginning December, 1920:

.0889	.0336	.0522
.0889	.0462	.0358
.0159	.0739	.0317
.0074	.0440	

A third firm reported its labor turnover in 1919 to have been 49%; in 1920, 33%; and in 1921, 19½%. Its joint council plan was adopted in the latter part of 1919.

A fourth firm states, "Due, we believe, to the spirit of plant loyalty, which has developed, our labor turnover has been cut in half."

A fifth one writes, "By means of our plan of industrial democracy, we have been able to get the employee thoroughly interested in our financial incentive plan; and in order to increase their share in dividends, they have influenced many workers to change their minds about leaving our employ."

Another writes: "Labor turnover is partly due to unimportant disputes between men and foremen. By eliminating these, our plan has reduced labor turnover."

The Browning Co. of Cleveland, Ohio reports a 43½% reduction in labor turnover in one year. Wm. Demuth of Demuth and Co. in answer to the question: "What effect has democratic industrial government had on labor turnover?" states that in their plant labor turnover has "gone down until it is no longer a serious factor."[24] He reports further that the workers have persuaded the others to stay, in order not to reduce efficiency. The Virginia Bridge and Iron Co. says that it can clearly see that its council plan "reduces labor turnover and loss of time among the employees." William McKenzie, president and manager of the Crookston Times Printing Co., makes the statement that not a man has quit since their plan of democratic industrial management was adopted; and that the men filled the vacancies that already existed by bringing in their friends.[25]

Closely related to the problem of labor turnover, is the problem of recruiting an efficient and plentiful supply of labor. One large clothing manufacturing concern says that its plan of democratic industrial management has solved its formerly bothersome problem of labor supply. This plant has made a careful survey of the causes leading people to apply to its plant for employment. It states that the second largest group in the classification made was of those who applied on account of the reputation of the plant for fair dealing. "Former employees and present employees all spread the report that the ———— shops are a good place in which to work. Statistics show that many apply many times for employment, which shows how they regard its character. One woman applied seven times. Too, those applying for work are of the very best type, which is a very important consideration."

John Leitch says that one factory, requiring skilled labor, no longer worries over a supply of labor. "That factory formerly could hardly get its complement; now with labor even scarcer, it has a waiting list."[26]

[24] *Factory*, Vol. 23, September, 1919, p. 502.
[25] *System*, Vol. 37, April, 1920, p. 753.
[26] Leitch, John, *Man to Man*, p. 91.

Of course, it is impossible to determine the precise amount of reduced labor turnover which is due to the successful operation of an employee representation plan. Nevertheless, the large number of firms reporting reduced labor turnover; the substantial character of the reductions; the fact that they have developed simultaneously with the growth of the employee representation plans; and the absence of other major causes to which the change could be ascribed, seem to warrant the conclusion that a more democratic type of industrial management constitutes a partial solution to the problem of labor turnover.

7. *Discipline.* There is practically unanimous agreement among concerns having employee representation plans, that the problem of discipline is becoming less difficult. Almost all existing plans provide for the handling of matters of discipline by joint bodies. Out of the many plans observed there have been noted only a few isolated instances of dissatisfaction on the part of the management with the manner in which matters of discipline were handled. Results seem to bear out fully the theory that men will obey rules voluntarily adopted, better than rules arbitrarily imposed, and will prove strict disciplinarians when given the responsibility. E. E. Bross, president of the Traub Manufacturing Co., states that democratic control in matters of discipline has proved a thorough success, and that the men "are sometimes even a little too strict. We have felt at times impelled to ask them to modify their decisions."[27]

8. *Grievances.* It has been sometimes suggested that the only value of the average council plan is that it creates a new system of settling grievances. Those who have held this opinion have seemed to feel that these works councils, being only a new way for settling grievances, were, therefore, of little significance and not at all worthy of having the adjective. "democratic," applied to them. Careful consideration shows not only that the settlement of grievances is but one of the many important activities of the typical works council, but also that the settlement of grievances is such an important and complex matter that, if true democratic machinery is set up for the settling of all grievances, a very large step has been taken in the direction of democratic industrial management.

[27] *Factory*, Vol. 25, August 15, 1920, p. 538.

As a rule, the constitutions of the various council plans provide that any grievances or any matter needing adjustment can be carried to the council if not satisfactorily settled by conference with the foreman or some other designated petty official. The significance of this provision lies in the fact that there are practically no limitations in the typical works council constitution concerning what grievances a workman or a group of workmen may present. The way is left open for any worker or group of workers to present a grievance to their foreman concerning any subject from shop rules to company profits. By refusing to accept the foreman's decisions, they can carry the discussions of that subject to the council, and in the majority of the plans from there to arbitration.

Moreover, the majority of grievances involve such vital subjects as: shop rules and regulations, discipline, wages, piece-rates, hours, scientific management schemes, promotion, discharge, suspension, fines, working conditions, and unfair treatment by officials. These are not trivial matters; they are the very essence of industrial management so far as the worker is concerned. It is, therefore, a long and significant step in the direction of more democratic industrial management when there is established a democratic procedure for settling grievances.

The importance of settling grievances promptly and satisfactorily has already been discussed at length.[28] The question raised here is: To what extent have these councils proved a success as a means of settling grievances promptly and satisfactorily?

Paul W. Litchfield, vice-president of the Goodyear Tire and Rubber Co., writes that their plan has proved to be a great success in the matter of settling grievances; and that it not only settles them more satisfactorily than they could have been by their former method, but that it uncovers many difficulties which otherwise would not have been known to the management. He adds that they had a well-developed grievance department before they adopted their present employees' representative plan; but it was not sufficient. The men would not come forward with their grievances. They would not try to get justice. "Nothing seemed

[28] See Chapter III.

to overcome the men's feeling that the management would refuse or resist any request. The assembly did overcome it. Now there are no smoldering grievances."[29]

Another employer writes to the same effect. "Many workers," he says, "are too timid to go to the foreman or other officials. They would oftentimes rather quit. Now their representatives go for them." They will go to their fellow workman, who in his official capacity will go to the foreman or other officials, and, if necessary, on to the council. Thus the "smoldering grievances" are avoided.

H. H. Weitzel, manager of the Fuel Department of the Colorado Fuel and Iron Co., says that its plan has resulted in a speedy adjustment of all grievances, in nearly all grievances being adjusted locally, and in a steady decrease in the number of grievances. All three of these important effects, he maintains, are directly due to the fact that there exists a regular procedure of appeal to higher officials and to a joint council where the acts of the foreman are reviewed. The result is that the foreman is less arbitrary and more just.[30]

Another company writes:

"Of greatest benefit, we feel, is the influence that the plan has had on employees in the way of making them more contented and improving their morale. This is brought about through the employees realizing that any grievance or problem which they might have will receive just consideration and prompt attention when presented before the council."

Another thought that is emphasized in a number of replies to the questionnaire received is that the great need in modern large-scale industry is to replace the personal contact between men and management, which formerly existed, but has been lost. This, they feel, cannot be done in the old way when the employer or the manager knew all the men personally, called them by their first names, and talked often with them concerning the business and its problems. However, they do find that the employer or higher officials of the management can profitably take the time to attend the meetings of joint councils. Such meetings thus afford a substitute for the old-time personal relationship. They result

[29] *System*, Vol. 37, March, 1920, p. 475.

[30] *Iron Trades Review*, Vol. 64, May, 1919, p. 1139.

in a direct personal acquaintance and contact between the leaders of the men and the officials. If the official can gain the confidence and good will of these leaders, the confidence and good will of the rest of the men can be more easily attained.

The testimony is conflicting in respect to the effect of a democratic method of the handling of grievances upon the number of grievances. Several firms report that grievances have increased, but this they do not regard as an evil. One firm writes regarding this point:

"Grievances have increased considerably. We expected this and welcome it. We believe that such grievances always existed, but were not discovered and settled. Grievances nursed in secret undermine a plant's efficiency."

Another firm makes the statement that grievances increased at first, but later gradually diminished in number. The Colorado Fuel and Iron Co. reports a steady decrease in grievances, due to the fact that the foremen are less arbitrary and unjust.

9. *The Ability of the Workers to Share in the Control of Industry.* One of the questions frequently raised by employers when considering the problem of whether or not they ought to adopt a works council plan is: Are the workers capable of sharing in the control of industry, or are they so narrow, biased, suspicious, ignorant, radical, and selfish that they cannot be trusted to exercise any real authority over industry? This same question is sometimes stated in a broader way: Under the existing industrial system with private ownership, competition, and the necessity of paying good salaries and dividends, can the employer risk entrusting a share in the control of his business to the average laborer?

The evidence obtained upon this subject has been one of the most significant results of this investigation. Some of the typical statements of employers who have tried some plan of democratic industrial government may first be given:

E. S. Cowdrick, assistant vice-president of the Colorado Fuel and Iron Co., reports that after a careful investigation of conditions throughout its plant, he finds that the executives unanimously declare their confidence in the sound sense and fair-mindedness of the workers, when the latter are entrusted with the facts upon which to base their opinions. He adds, "In more than five

years of successful operation of the industrial representation plan of the Colorado Fuel and Iron Co., there has been abundant proof that the working man is able and willing to try to do his own thinking, and that, with all the facts in his possession, his judgment can be depended upon generally to be sound and his decisions fair."[31]

Another executive writes: "Men are better prepared to carry on industrial democracy than political democracy. A group of men in a shop, giving their lives to the work done there, understand that work. What they do not know they can learn quickly. Convince them that it is to their interest, and they will help make it a success. They can see and profit by mistakes."

A. H. Young of the International Harvester Co. says: "We have found that the American workingman will play the game on the square if his employer will play it so with him. He can and will make a fair judgment if given the facts upon which to base his judgment."[32] B. C. Forbes, editor of the Forbes Magazine, after investigating several plans of democratic industrial management, states: "Not in one case has a House of Representatives passed a law which the president has had to veto. To me this is wonderful. Once the men were convinced that the boss was on the level, that they were actually having some say in wages and hours, they were sobered by the responsibility."[33] Mr. Stafford of Swift and Co. says that the discovery that the workers prove capable, reasonable, and efficient cooperators has been a matter both of surprise and education to many officials. P. W. Litchfield, vice-president of the Goodyear Tire and Rubber Co., also testifies to the fair-mindedness and capability of the workers. He reports that its House of Representatives, composed of workers only, "keeps the confidence of both sides, because it is fair, as nearly as can be judged. It is as ready to judge against one side as the other."[34] Eugene B. Clark, president of Clark Equipment Co. writes: "Your men will not abuse the confidence you have placed in them. The overwhelming majority of workmen

[31] *Industrial Management*, Vol. 62, July 1, 1921, p. 32.

[32] *Some Experiences in Industrial Cooperation*, pamphlet published by Illinois Manufacturers' Association.

[33] *System*, Vol. 36, December, 1919, p. 1079.

[34] *Ibid.*, Vol. 37, March, 1920, p. 475.

are straight."[35] Mr. Nunn, president of the Nunn, Bush, and Weldon Shoe Co., says: "We are glad to get radicals on the committee. It sobers and educates them. Never since the adoption of the plan has the management found the responsibility unwisely placed on the workers, or that a decision rendered by them has been unfair to the management."[36] The Bethlehem Steel Co. has found that its workers, in deciding questions, have shown "a full understanding of the issue in hand, fair open-mindedness, and ability to consider both the employees' and the employer's side of the question." A letter received from the Dutchess Manufacturing Co. says, "We plan to enlarge the responsibility of the committee, as it is able to take added responsibility."

Other statements, which have been made by executives of plants having works councils, are as follows:

"In most cases the men are sound, reasonable and open-minded." S. Bowser and Co.

"The management could not desire more in the way of co-operation than has been given it by the employee representatives. As a rule, the representatives are of a considerably higher intelligence than the average of the employees they represent." Walworth Manufacturing Co.

"Our workers have thus far elected very able men to represent them, and they have shown a keen desire to cooperate." Westinghouse Electric and Mfg. Co.

"We are very much impressed by the type of men who are selected to represent the men in the committee meetings, and in most cases find them reasonable, trustful, and of real value to management and men.

"While at times the progress would be quite stormy, there never has been an occasion where our men did not show good judgment and exceeding fairness with the company in their final conclusions." Hydraulic Steel Co.

These are but a very few examples of the testimony which has been found upon this point. The evidence at hand at this writing stands:

[35] *Iron Age*, Vol. 104, July 24, 1919, p. 239.
[36] *Factory*, Vol. 25, July, 1920, p. 41.

Companies testifying that the men have been, on the whole, capable, fair-minded and helpful, 107.

Companies testifying that the men have not proved satisfactory in their committees, 3.

The fairly enthusiastic way in which so many employers are praising the work of their men under a plan which extends to them a measure of self-management may be furthering the cause of democratic industrial management more than such employers realize.

10. *Education.* From time to time in connection with different subjects, mention has been made of the theory that democratic industrial management is a valuable means to the end of educating the men to the facts and needs of business and the problems of management so that they will have a more enlightened concept of industrial justice, will gain a new interest in the business, and will more willingly cooperate to make it a success.

However, there is a second phase to this problem of education. Education for the worker is greatly needed; but there is reason to believe that the need for education of the employers is even greater. Great inefficiency in the utilization of the human factor in American industries is admitted. If the arguments for more democratic industrial management as a means to efficiency are valid, then there is great need of educating employers to a realization of such truths. Moreover, there is no more reason to believe that the employees need education in the problems of management in order to have a more intelligent concept of justice, than there is to believe that the employers need education in the problems of the workers in order that their concept of justice may be broadened.

The value of more democratic industrial management through works councils and joint works councils, as a means to give needed education to both employers and men, is one of the points most frequently emphasized by employers. Speaking of its plan of joint control, the General Electric Co. makes this statement:

"By dealing in this way a continuous education of employees and foremen as to the needs and requirements of a complicated business has been affected. The need of such means has been felt in this works for many years. In view of the limited information possessed by our employees, many misunderstandings and narrow views had been entertained, which, under present circumstances,

with a broader viewpoint, have disappeared, and an increased sympathy with the aims and purposes of the management has been arrived at. Many instances could be cited as showing the change of attitude which has resulted from conferences between employees and management in these committees."

An executive of a large eastern factory writes:

"There is, of course, in many corporations a belief, amounting often to a prejudice, that the employee representation plan will develop in the direction of Sovietism. We do not doubt that where the plan is unwisely operated such a tendency will develop, particularly in periods of extreme prosperity. On the other hand, we believe we see strong evidence of a reaction from an extreme emphasis upon distribution which has characterized economic thought for the last couple of centuries to a realization that a greater part of the problem lies in the field of production. This is somewhat parallel to the point we have discussed above. From practical experience in the operation of our own plan, particularly during the last year or two, we have noted a growing conviction in the minds of our employees that their hope for a better standard of living rests not upon a greater share in the distribution of the net production of the enterprise, but rather upon the development of a greater production from which to obtain their share.

"In the first place, they find that if they received the entire distribution available for consumption, their condition would not be materially improved; and in the second place, they find in the discussion that arises that the share they are receiving is much greater than they had ever dreamed. In the third place, if the management is fair, the employees have an opportunity of convincing themselves of the fact, that in the end this brings them to what we have indicated above, namely a conviction that the only possible source of any material improvement in their standard of living lies in the direction of an increased production. One of the common deterrents to efficiency is the belief that the increased production will go to the employer, not to the employee who is its cause."

Mr. George S. Hawley, manager and counsel of the Manufacturers' Association, Bridgeport, Conn., says of the work of the committees in that city:

"In several of the largest and in some of the smaller plants the committees are now working most enthusiastically and effectively.

Not only do they meet with the management when they have matters to present, but they meet regularly and take up questions of shop conditions and their betterment, wages, cost of living, and other matters in which they have a deep interest. They have also learned something about industrial problems from the standpoint of the management. They have come to realize that their employers are fair-minded, willing to inform, and anxious to do the right thing. As a result, a fine spirit has been developed among the workers in these plants."[37]

Mr. A. H. Young of the International Harvester Co. gives the following interesting comment upon the possibilities of educating the worker to an understanding of financial problems:

"One big thing we have done is this. I wonder if you realize just how promiscuous is the propaganda put out by organized labor and labor agents; how they talk of your surplus, your reserves; and give the impression to the workmen that they are simply gold dollars locked in a vault. We have had an opportunity to talk that thing over and show them that while the Harvester Co. has a surplus of $70,000,000 that was built up by nineteen years of careful financing, that it is not gold dollars; it is brick and mortar, new plants, and new machines . . . . and it is compared with the pay-roll of nearly $90,000,000 the year before; that this surplus built up in nineteen years is a guarantee to them of the stable financial integrity of the company and that in those nineteen years we have built up less than we spend in one year in wages."[38]

R. G. A. Phillips, vice-president of the American Multigraph Co., regards the education work accomplished by their works council plan as "indispensable."[39]

Another employer says: "Hitherto, the labor leader has been the only teacher of the workingman, and we have found that it pays us to endeavor to educate the worker in a way that teaches him the value of cooperation. We find our joint plan a big help in this direction."

[37]Hawley, George S., *Bridgeport Employees Committees*, published by the Manufacturers' Association, Bridgeport, Conn.

[38]*Some Experiences in Industrial Cooperation*, pamphlet published by the Illinois Manufacturers' Association, Chicago.

[39]*Iron Trades Review*, Vol. 65, July, 1919, p. 221.

In answering the questionnaire sent to it, the Walworth Mfg. Co. makes this statement:

"A part in discussing shop matters at the factory council meetings naturally puts the employee representatives in touch with many angles of the business which they perhaps little dreamed of before. In order that the employee representatives may appreciate the management's side of a question, the management must give them an insight into many confidential matters relative to the business. Their viewpoint is thus greatly broadened, and we have found that as a result, these employee representatives are a steadying influence among the employees whom they represent. We have also found that they take a deep interest in shop matters, as evidenced by the number of suggestions which they make at council meetings pertaining to shop efficiency, increased production, lowering of costs, and the prevention of accidents."

Another firm writes: "Looking at the plan from a different point of view, however, we might say that practical experience indicates that much is accomplished under the employee representation plan in educating the employees to an understanding of profit. This has been particularly true during the last four or five years, when the employee has seen so clearly that while efficiency may be at its lowest, business profits are at their highest; and now while productive efficiency of the employee is at its highest, profits are at their lowest. During the former part of the period employees displayed a strong tendency to believe that their wages or a considerable share of their wages should come out of the profits of industry. Now, on the contrary, they find themselves compelled to defend an adequate wage rate even against a severe loss in the enterprise. In short, they are having a practical illustration of the difference between wages, interest, and profit, using the terms in an economic sense. Unquestionably industrial democracy is a strong educational factor in problems of this kind. Obviously, at the same time, the employee begins to obtain a comprehension of the problems which strictly relate to management. He has more sympathy with the management and realizes how futile would be his attempt to enter that field under existing industrial and social conditions."

Also, democratic industrial management proves to have an educational value for the workers, due to the fact that it trains them for more responsible positions. This comes about chiefly, of

course, through their service as representatives on the works councils. With this is the benefit to the management of finding those who have executive ability.

In the questionnaire mentioned above the question was asked, "Have you found reason to believe that, as a result of the experience and education gained by the workers through your plan, they will become fitted for positions of higher responsibility?" The majority of the answers received were to the effect that it is too early in the experience of these plans to judge; but twelve firms replied in the affirmative, and three in the negative. This large proportion of affirmative answers seems to indicate that results, beneficial to the employees, are already beginning to show in many places.

Without taking space for further quotations, the following summary may be made of the ways in which more democratic industrial management, in the form of works councils or joint works councils and similar bodies, has been found in actual practice to be a source of valuable education for both workers and employers.

For the workers, it has broadened their knowledge of the problems of management; has brought them to see the importance of the problem of production; has helped to train men to take more responsible positions; has shown them, in many cases, that their employers, according to their concept of justice and a square deal, are sincerely trying to treat labor fairly; and has taught them the advantages which can result from constructive cooperation.

For the employers, it has greatly increased their ability to handle men successfully, by showing them the viewpoint, problems, and worries of the worker, as set forth in the joint council. In other words, it has been an education in industrial psychology, which many employers need. It has taught them the important fact that most of the trouble between labor and management is due to ignorance and misunderstanding, and is, therefore, easily remedied in joint bodies where each presents its view and the facts are jointly determined. It has taught them that the workers are fair-minded and capable of helping in management, instead of being radical, selfish, ignorant, and incapable of sharing in industrial control. It has shown them, through results gained, that there are great possibilities of increased efficiency if the human

factor is properly managed so that its spontaneous constructive cooperation will be gained. And it has taught them that more democratic and less autocratic industrial management is one pathway which leads to that spontaneous and constructive cooperation.

It is refreshing to note in the letters received from executives of various companies occasional reference to a broader purpose than that of efficiency and profits. The hope is expressed that the training received by the million and a half or more of workers now participating in employee representation plans, will not fail to make of them more intelligent and efficient participants in democratic political government. Familiarity with their duties, privileges, and responsibilities under representative government, and the methods by which they can make such a government function in the interests of the constituency, would appear to be the inevitable and socially beneficial results of democratic industrial management.

CHAPTER V

UNION JOINT COUNCILS IN THE UNITED STATES

A tendency has prevailed among those fostering the non-union council movement in the United States to enlarge upon the virtues of this new form of "industrial democracy," and apparently to imply that industrial democracy had not been previously developing in American industrial life. In any event, there is a noticeable tendency in this connection to ignore the work of the trade union and the industrial union. By many writers the new non-union councils are designated as examples of "industrial democracy," in contrast to collective bargaining through trade and industrial unions.

On the other hand, the representatives of organized labor maintain that these so-called "industrial democracy" plans are nothing more nor less than emasculated unions, following essentially the same general line of procedure that is followed in collective bargaining through the orthodox trade unions.

To compare adequately these non-union councils and the trade unions, it is necessary first to describe briefly the nature of the procedure followed in collective bargaining by unions and employers, and to reveal to what extent the unions, through shop committees, shop stewards, joint committees, joint councils, and trade agreements, have obtained for the workers a share in industrial management similar to that which the non-union council plans have attained. This can be accomplished best by describing the union procedure in its entirety, and then comparing it with the procedure of non-union council plans.

A. The Three Types of Union Joint Councils

There are three principal phases of joint industrial management by unions and employers as it exists in the United States today:

1. The formation of trade agreements.

2. The local application of such agreements, which includes the settling of all disputes arising between the parties involved.

3. The constructive work carried on by national or international joint councils which have been formed recently in certain industries.

These three phases may be described briefly in the order named.

1. *Joint Councils to Form Trade Agreements.* It is the aim of every union to obtain a trade agreement which will regulate all matters in which the workers are most directly concerned. The body which makes these agreements is essentially a legislative body determining general rules and regulations which will govern all phases of industrial relations dealt with by the agreement. It is important to note the character of such legislative bodies.

The joint conference plan for drawing up trade agreements has been followed in the coal industry with more or less regularity since 1898. An interstate joint conference has been held annually in the central competitive field. This joint conference is composed of eight miners and eight operators from each state (Illinois, Indiana, Ohio, and Pennsylvania). A unanimous vote is always necessary to reach a decision. The state joint conference follows the interstate joint conference. It deals with local matters and is very much the same in organization and methods as the interstate conference. Most of the work of the state joint conference is carried on by a scale committee, which is composed of two operators and two miners from each of the nine districts. It may appoint special committees for drawing up agreements. The agreements drawn up by these state and interstate joint conferences have contained very extensive rules and regulations. Such conferences are, therefore, properly regarded as representative legislative bodies which have exercised a considerable degree of control in the management of the mining industry.

Representatives of the International Molders' Union of North America have met in an "annual joint conference" with representatives of the Stove Founders' National Defense Association for the last twenty-two years. An elaborate trade agreement has been worked out and agreed upon each year. There are six representatives of each side in this joint conference.

The National Window Glass Workers' Union elects by referendum vote a committee of three, called a "Wage Committee." The manufacturers choose a similar committee and these two form a joint committee, which has met annually for the past thirteen years. Each year it has adopted an elaborate trade agreement.

The National Brotherhood of Operative Potters has a "Conference Committee." This committee meets with the Labor Com-

mittee of the United States Potters' Association to form a joint council. This joint council meets every two years, or oftener, and draws up elaborate trade agreements.

The International Union of United Brewery, Flour, Cereal, and Soft Drink Workers of America enters into local agreements made by a joint council of employers and representatives of the local union. These are made for a period of one year, arrangements being made to reopen negotiations before their expiration.

The United Garment Workers of America enter into a national agreement with the Union Made Manufacturers' Association. Their agreement is made by a joint council of union and employer representatives, which meets once every year, or more often if necessary.

The International Typographical Union has over 800 locals which enter into agreements with the local employers. These agreements are made by a joint council of the employers and employees, and always provide for a renewal of negotiations before they expire.

The Glass Bottle Blowers' Association of the United States and Canada has entered into national agreements with the employers for twenty years. A joint council of representatives of the unions and of the employers holds an annual preliminary conference in May and an annual final conference in July. This provides for regular legislative sessions.

These few examples show the typical method of procedure in the formulation of trade agreements in the United States. These joint councils, as they may properly be called, in which trade agreements are formed, are legislative bodies. The process of bargaining which takes place in such bodies is very similar to the procedure in the legislative assemblies of democratic states or nations, where representatives of various groups and interests strive to look after the interests of their constituencies.

In all cases, these industrial legislative groups are composed of representatives of the employers and of the workers involved. The workers' representatives are usually their elected officials or especially elected committees. The employers either attend in person, or appoint or elect representatives. This description applies whether the agreement is local, district, or national in scope. The large majority of trade agreements in the United States are

local in character and are made by local union representatives and employers.

The majority of trade agreements made by these joint councils are entered into for a period of one or two years, with provision for another conference before the date of their expiration, or for an indefinite period with a provision that either party desiring to terminate the agreement must give notice of his desire well in advance of the date on which he wishes said agreement to terminate. This makes possible renewed negotiations by a joint council, and also gives a degree of permanency.

The question next arises as to what matters are handled by these representative legislative councils. Are they merely a bargaining group, fighting over a wage scale (which, however, is the most vital phase of industrial relations), or do they legislate on other important matters?

In the first place, it should be noted that they are not primarily bodies for the settling of disputes. They are legislative bodies which draw up trade agreements in which there is always provision for some method of handling disputes that may arise between the parties represented.

The scope of trade agreements can be indicated best by an analysis of the subjects dealt with in a number of sample agreements forwarded to the writer by union officials. In the sample agreement sent by the International Hod-Carriers', Building and Common Laborers' Union of America, the following topics are dealt with: recognition of the union; hours; wages; overtime; working conditions; holidays; transportation to work; arbitration for disagreements or disputes arising; time of payment; medium of payment; provision for union labor; provision for stewards.

This summary has been made from an agreement sent by the International Stereotypers' and Electrotypers' Union: provision for local and international arbitration boards; provision for conciliation; wages; hours; rules for apprentices; work to be performed by journeymen and apprentices; provision of a substitute when a regular lays off; overtime; holidays; time of starting and quitting; one day's notice before discharge; provision for men employed on particular machine; provision that foremen be members of union; discharge controlled by joint committee.

A typical agreement of the International Ladies Garment Workers' Union contains regulations on these subjects: closed shop; provision for shop chairman to adjust disputes; right of union officials to investigate shops; minimum weekly wages and minimum hourly wages; shop committee from employees to settle piece-rates; hours; overtime; holiday pay; distribution of work; limited discharge; arbitration; working conditions; piece-rates.

A study of typical agreements of twenty unions has given the following results:

Subjects Dealt With	*Agreements Dealing With Each Subject*
Wages	20
Hours	18
Conditions of work	14
Discharge	12
Union recognition	8
Closed shop	5
Union preference	6
Foreman or forelady to be union member	4
Method of settling disputes	18
Overtime	16
Distribution of work	9
Introduction of new machinery	6
Introduction of new processes	6
Apprenticeship	14
Holidays	17
Lost time	4
Defective work	3
Time and medium of payment	8
Promotion	6
Enforcement of state labor laws	5

These facts serve to indicate, in a rather partial way, to what extent the trade unions have already obtained joint democratic control of industry through joint representative legislative councils which formulate the rules and regulations covering many of the important problems of industrial relations.

2. *Local Union Joint Councils.* The second phase of joint industrial management, as carried on by unions and employers, is

the local application of trade agreements. This is largely a matter of settling all disputes which arise between the local parties to the agreement.

The legislative bodies described above are seldom, if ever, local bodies, in the sense of confinement to representatives of employees and management from a single company or plant. The workers' representatives on such bodies are invariably selected or appointed from the local, district, or national union.

The question raised at this point is whether or not orthodox unionism has provided any local representative bodies which exercise a share in industrial management similar to that exercised by non-union council plans.

In most trade agreements, provision is made for local joint bodies to settle disputes. Such bodies are expected to make all adjustments that may be necessary to insure a fair and just interpretation of the spirit and letter of the trade agreements in applying them to the local or individual situation. The following digest of the provisions in a number of trade agreements for the handling of disputes throws much light upon this phase of union procedure:

Amalgamated Sheet Metal Workers' Union. A shop steward and a representative of the management adjust disputes. Appeal to a joint arbitration board of six representatives of the union, and six from the management, is permitted.

International Stereotypers' and Electrotypers' Union of North America. Shops are organized into "chapels." These chapels elect a chairman. This chairman and a representative of the management form a joint committee to settle disputes that arise; appeal may be made to a joint committee of representatives of the union and the management; arbitration by an impartial umpire is the last resort.

Brotherhood of Painters, Decorators, and Paper Hangers. Union shop stewards and representatives of the management form a joint committee to adjust disputes; arbitration is resorted to if this joint committee fails to agree.

International Slate, Tile, and Asbestos Roofers' Union of America. Shop stewards and representatives of the management form a committee to adjust disputes, if possible; appeal may be made

to a joint committee of three representatives from the union and three from the management; final appeal is to an impartial umpire, chosen by the joint committee.

National Brotherhood of Operative Potters. All disputes are handled by a joint council composed of a representative of the management and the union shop committee; appeal is granted to a joint standing committee of three representatives from the union, three from the management, and a seventh member chosen by these six.

International Association of Machinists. A union shop committee and the foreman form a joint committee to adjust disputes; appeal may be made to a joint committee composed of union men and the employer, or his representatives; final settlement is by arbitration.

International Union of United Brewery, Flour, Cereal, and Soft Drink Workers of America. Shop stewards are elected in each shop. These stewards and a representative of the management form a joint committee to settle disputes; appeal may be made to a joint committee of two representatives from the union and two from the management; final appeal to an impartial arbitrator is granted.

International Hod Carriers', Building and Common Laborers' Union of America. The shop steward and a management representative adjust disputes.

International Association of Heat and Frost Insulators and Asbestos Workers. A joint committee, called a "Trade Board," composed of an equal number of representatives from each side, adjusts disputes; this Board holds regular meetings.

Slate, Tile, and Composition Roofers', Damp and Waterproof Workers' Association. A joint shop committee of three representatives from the union and three from the management adjust all disputes. Appeal to arbitration is granted.

International Printing Pressmen's and Assistants' Union of North America. A joint shop committee of two representatives from the union and two from the management adjust disputes. Arbitration is permitted as a last resort.

International Ladies Garment Workers' Union. Union workers in each shop elect a chairman, who reports complaints to the union business agent. The latter meets with the representative

of the employer to make adjustments; appeal may be made to a joint committee composed of a representative of the union and a representative of the employer's association to which the employer belongs. Arbitration is the final step.

International Brotherhood of Pulp, Sulphite, and Paper Mill Workers. Each local union elects a grievance committee, which meets with representatives of the management. This joint committee considers all disputes that arise; appeal is granted to the higher union and company officials.

United Brick and Clay Workers. Shop stewards or yard stewards, elected by the union workers in the shop or yard, or appointed by the union, meet with the management to adjust grievances; appeal is made to a joint grievance committee in some cases, and in other cases, to the business agent of the union and a representative of the management.

Glass Bottle Blowers' Association. A factory committee, elected by the union workers in a factory, takes up with the management matters needing adjustment.

International Typographical Union. Each composing room is organized into a "chapel." Each chapel elects a chairman who takes up with the management all matters needing adjustment.

Pattern Makers' League of North America. The men in each shop elect a shop committee, which takes up with the management all matters needing adjustment.

International Brotherhood of Electrical Workers. In some cases, shop stewards, and in some cases, shop committees take up grievances with the management; appeal to a joint committee of union and management representatives is granted.

United Garment Workers of America. Union members in each shop elect a shop committee, which takes up with the management all matters needing adjustment.

The Laundry Workers' International Union. A joint committee of two representatives from the union and two from the management adjust disputes. These choose an impartial arbitrator, if necessary.

Cigar Makers' International Union of America. Every organized shop in this union has a shop steward, elected by the workers in the shop. He takes up with the management all matters needing adjustment. Appeal to a union committee, which meets with representatives of the management, is granted.

The Amalgamated Clothing Workers of America. In connection with this union, a word may be said respecting the Hart, Schaffner and Marx plan of settling disputes.

This plan, developed by Hart, Schaffner and Marx of Chicago, has been adopted in many clothing concerns in the United States, especially in Chicago, New York, Rochester, and Baltimore. This plan provides for the election of one shop representative from each shop. These representatives have charge of adjusting complaints within the shop. There are also deputies, appointed by the union, that have power to investigate and adjust grievances or disputes. In case that either or both of these parties have failed to adjust a matter with the management, it may be appealed to a trade board having five representatives of the union, five from the company, and an impartial chairman.

In addition to these methods of procedure must be mentioned the method of having the business agent of the local union adjust disputes with the management. In making this digest, there were examined thirty-five trade agreements made by as many different unions. The procedure followed by twenty-two of these has been indicated. The remaining thirteen provide that the business agent of the local union serve as the workers' representative to adjust disputes. This usually results in creating a joint council of one representative of the workers, and one or more from the management. If this group fails to make adjustments, appeal to higher officers of the union and the company is permitted. If this higher representative group fails, arbitration is usually provided.

This inquiry has shown that a very large number of unions in the United States have succeeded in obtaining provisions in their trade agreements for the settlement of disputes by a joint committee, composed of a representative or representatives of both the workers and the management in the local shop or plant. Many of the shop stewards, shop committees, shop delegates, shop chairmen, or adjustment committees, as the various agreements call them, are elected by the union workers in the shop to meet with representatives of the management to adjust disputes. In some cases, these shop representatives are appointed by the union from among the union members in the shop. In nearly all cases, appeal is granted from the first tribunal to higher union and management representatives, who may or may not be from the shop involved.

The fact that many subjects, including the most important phases of industrial relations, are covered in trade agreements greatly limits the scope of these local union joint committees. No instance has been found of any functions being assigned to these local bodies other than those of carrying on their regular union duties of collecting dues, etc., and their principal duty of handling all matters needing adjustment. The latter provision, however, is seldom qualified in any way; so it may be a very broad function. It means that these local bodies may perform important judicial and executive functions in interpreting and applying all the provisions of the elaborate trade agreements described above.

3. *Constructive National Joint Councils.* A third phase of joint industrial management by unions and employers is the work of certain national or international joint councils, whose primary purpose is not the making of trade agreements.

The international joint industrial council, composed of five representatives of the International Photo-Engravers' Union and five of the American Photo-Engravers' Association, was formed in 1919. The objects of this council, as set forth in the constitution, are as follows:

"To establish and promote the spirit of cooperation and of mutual helpfulness, to deal successfully with the problems of the photo-engraving industry, and to insure the protection and promote the interests of all concerned, it is deemed essential to create and there is hereby established a joint industrial council of the representatives of the American Photo-Engravers' Association and the International Photo-Engravers' Union, which shall be thoroughly informed as to the condition and interests of all engaged in the industry, and shall suggest for ratification, from time to time, policies and regulations which shall eventually become the law of the photo-engraving industry."[1]

Further in the constitution these specific functions of the council are given:

1. Outlining of general trade policies which will secure the greatest degree of cooperation between employer and employee.

[1]Woll, Matthew, "Standardization and Cooperation in the Printing Industry," pamphlet reprinted from *The Proceedings of the Academy of Political Science in the City of New York*, Vol. IX, No. 4, January, 1922, p. 6.

2. Inducing all employers and employees to join their respective local and international associations and to form local joint industrial councils.

3. Considering, reporting, and advising on any legislation affecting the trade, and presenting the needs of the industry to the government.

4. Encouraging and fostering research and invention, and publishing the results, when desirable.

5. Considering, reporting, and advising on all improvements in organization, appropriate questions relating to management, and the examination of industrial experiments with special reference to cooperation in carrying new ideas into effect; studying and proposing suitable methods of selection for apprenticeship, technical training for apprentices, and improving the general standards of workmanship; considering and settling of disputes, when such disputes are referred to it; removing dangers to health and safeguarding the physical well-being of employees; considering any and all matters of general interest to the trade.

Since this council is able only to advise and recommend, local joint industrial councils have been formed to carry out the policies formed by the international joint industrial council.

When this council was formed in 1918, the printing industry was in serious straits. "Competition in business was unfair, prices were steadily declining, the cost of production was increasing, and there was complete absence of standardized methods of estimating the service rendered. Business failure appeared as the unescapable path for the industry."[2] It was at this point that the employers and the unions agreed to cooperate. The first task undertaken was that of establishing a trade standard. Matthew Woll very ably describes the success attained. He says:

"With complete organization effected on the part of both employers and workmen, a joint investigation was conducted into the cost of producing photo-engravings. A chart was prepared, based upon the findings of this cost investigation. By this method of cooperation, a trade standard was established in the industry in a few months' time—a task which employers of themselves had

[2]Woll, Matthew, "Standardization and Cooperation in the Printing Industry," *Proceedings of the Annals of the American Academy of Political and Social Science*, Vol. IX, No. 4, January, 1922, p. 37.

failed to accomplish for years. Instead of facing bankruptcy the industry was now placed on a stable and prosperous basis.

"Then, too, the interest of the public was being better served by these standards. Unfair trade practices were discouraged, all purchasers of photo-engravings were placed on an equal plane, and prices were no longer determined by vicious competitive practices and underselling methods which had no relation to, or regard for, costs of production or the safeguarding of the industry; the prices thereafter were determined on the modern businesslike basis of cost of production."[3]

As a result of this successful cooperation, the joint conferences were established upon a permanent basis by creating a joint industrial council with a constitution and permanent personnel. A provision was made that this council should hold regular meetings. At its first meeting, it provided for an extensive investigation into the problem of the supply and training of apprentices. This investigation revealed much need for standardization. "It was immediately recognized that the proper training of apprentices was not an individual, but a collective responsibility, that it was unfair for one employer to exploit apprentice labor, turn out incompetent journeymen, and thereafter have incompetent workers exploit all other employers."[4]

Due to the efforts of the joint committee, there has been adopted a uniform standard ratio of apprentices that will provide an adequate supply of workmen for the rapidly expanding trade.

The next task undertaken by this council was that of establishing a uniform cost-accounting system that would serve as a basis for estimating costs of production, and make the standardization of prices possible. Great obstacles have been met in this field, but at present the joint council is at work devising a cost-finding and accounting system, which it hopes to enforce throughout the entire industry. The predominating element in this industry being labor, accurate and scientific cost-finding depends largely upon hearty cooperation on the part of the workmen. By attacking the problem through the medium of the joint industrial council, the good will and cooperation of the workmen have been gained.

[3] *Ibid.*, pp. 37, 38.
[4] *Ibid.*, p. 39.

This council has also attempted to reduce the number of specialized branches which have developed in the photo-engraving industry, and to establish more uniform methods and training. Under more uniform methods and training, employers will have less trouble in getting capable workers, and the workers will have less trouble in finding work in new communities.

Another task recently undertaken by this council is an investigation into the problem of shop practices, with the purpose of eliminating any evils discovered. A jointly conducted publicity campaign is also in progress. Its purpose is familiarizing "the users of the photo-engraving service with the many complexities and artistic requirements of the trade, so as to eliminate many of the misunderstandings that arise between the buyers and producers of engravings, because of their lack of knowledge of the intricacies of the trade."[5]

This council is now making plans to establish a joint research bureau which will investigate improved methods and processes of production, methods of eliminating waste, and other ways and means to promote efficiency and enable the industry to expand.

This is an unusual record of accomplishments. Considering the short time that this policy of cooperation through joint councils has been in use, it would seem to bear out the most extravagant claims that have been made for the joint council system.

A second example of a union national joint industrial council in the United States is found in the international joint conference council of the Commercial and Periodical Branches of the Printing Industry. The following bodies constitute the membership of this conference council:

Employers	*Employees*
Closed Shop Branch, United Typothetae of America.	International Typographical Union.
Printers' League of America.	International Printing Pressmen and Assistants' Union.
International Association of Electrotypers.	International Brotherhood of Bookbinders.
	International Stereotypers' and Electrotypers' Union.

This international conference is composed of eight members, four being chosen from the employers' association, and four from the labor organizations.

[5] *Ibid.*, p. 41.

The scope of work that this council may carry on is the same as that provided for the council of the Photo-Engravers. In fact, the principal features of both plans are the same; however, the chief work of this council is in connection with matters of policy.

The work of this council has been very similar to that of the Photo-Engravers' council. Among the matters upon which this council has done constructive work are the following: a cost-finding system for the printing industry; training of apprentices; standardization of trade agreements, and shop practices; establishing local machinery for informal and frank discussion of problems by employers and employees; adoption of cardinal principles to guide wage negotiations; making a standard arbitration agreement; introduction of the forty-four hour week; and a standard "cost of living readjustment" clause for all local trade agreements.

A third example of a union national joint industrial council in the United States is the Electrical Construction Industry.

The National Association of Electrical Contractors and Dealers held its 1919 convention in Milwaukee; and the International Brotherhood of Electrical Workers held its 1919 convention in New Orleans. At each of these conventions five representatives were appointed. These ten representatives composed a joint committee for finding some means of putting "the principles of cooperation into practice." This joint committee met in January, 1920, and formed and presented to the respective organization a recommendation "that a national joint body be created." This recommendation was accepted and a national joint council was held in Washington, April 20, 1920.

The purpose of this council, called "The Council on Industrial Relations for the Electrical Construction Industry in the United States and Canada," is described in the Declaration of Principles drawn up at the first meeting of the committees from each organization, and in a resolution adopted at the second meeting of the council:

"The vital interests of the Public and of Employee and Employer in industry are inseparably bound together. All will benefit by a continuous peaceful operation of the industrial process and the devotion of the means of production to the common good.

"The facilities of the electrical industry for service to the public will be developed and enhanced by recognition that the overlapping of the functions of the various groups in the industry is wasteful and should be eliminated.

"Close contact and a mutually sympathetic interest between employee and employer will develop a better working system, which will tend constantly to stimulate production while improving the relationship between employee, employer, and the community.

"Strikes and lock-outs are detrimental to the interests alike of employee, employer, and the public, and should be avoided.

"Agreements or understandings which are designed to obstruct directly or indirectly the free development of trade, or to secure for special groups special privileges and advantages, are subversive to the public interest and cancel the doctrine of equality of rights and opportunity, and should be condemned.

"The public interest is conserved, hazard to life and property is reduced, and standards of work are improved by fixing an adequate minimum of qualifications in knowledge and experience, as a requirement precedent to the right of an individual to engage in the electrical construction industry, and by the rigid inspection of electrical work, old and new.

"Public welfare, as well as the interests of the trade, demands that electrical work be done by the electrical industry.

"Cooperation between employee and employer acquires constructive power as both employees and employers become more completely organized.

"The right of employees and employers in local groups to establish local wage scales and local working rules is recognized, and nothing herein is to be construed as infringing on that right."[6]

There is also significance in the following declaration of the "broad purposes of the council":

"Whereas it is the primary purpose of the two Member Organizations to remove the causes of friction and dispute, the Council conceives its principal function to be that of study and research to the end that it may act with the fullest knowledge of the causes, and that it may secure the largest possible measure of

[6]Pamphlet, *The Council on Industrial Relations for the Electrical Construction Industry*, New York City, 1921, pp. 3, 4.

genuine cooperation between the Member Organizations and generally between employers and employees, for the development of the industry as a servant to society and for the improvement of the conditions of all engaged in the industry.

"That the Council earnestly urges upon the Member Organizations and each constituent body of them, that reasonableness, patience, good will, and a serious endeavor to see the merits and justice of claims put forward by the other party, which in this, as in all other efforts of men to substitute harmony for strife, are an indispensable foundation for cooperative effort, without which the council cannot achieve success in its purpose."[7]

At this second meeting, it was decided also that the council would be composed of five representatives appointed by each of the Member Organizations, each Member Organization appointing alternately each year two representatives and three representatives all to serve two years and until their successors are appointed. These representatives act on the council without compensation.

It is provided in the constitution of this council that it will settle disputes only when all existing machinery has failed. But the settling of disputes seems to have been the principal work carried on by this council. "Services have been rendered in considerably over one hundred cases, in which favorable adjustment has been realized by the council sitting as a tribunal and by informal methods . . . . In every case of informal adjustment a reasonable degree of satisfaction to both parties to the dispute has been the result."[8]

Another point worthy of mention is that this council has succeeded in developing a spirit of good will and cooperation between the men and the employers. The importance of this can hardly be overestimated, for good will is the basis of cooperation, and cooperation is the basis of increased efficiency. L. K. Comstock, president of the L. K. Comstock Co., New York, reports that "the representatives of the employers and the unions, by getting together in an informal way around the table and discussing

[7] *Ibid.*, p. 10.

[8] Comstock, L. K., "Joint and National Counseling in the Electrical Construction Industry," *Proceedings of The Annals of the American Academy of Political and Social Science*, January, 1922, pp. 79, 81.

frankly without heat or passion the many perplexing problems in which both groups are vitally interested, have developed an industrial good will and respect for one another's opinions, which are of material assistance in laying the foundation for better industrial relations throughout the whole industry." Their method is the joint investigation of the facts, and the working out of the elaboration of a constructive industrial program on the basis of the facts.[9]

However, the council is planning more constructive work. It is working now for a national agreement that will standardize conditions in the industry. "The Council proposes for itself the task of studying the whole question of apprenticeship, advancement, education, and qualification of local restriction placed upon the use of traveling cards, or waiting and traveling time, and of responsibility for defective work."[10]

The three national joint industrial councils in the printing and electrical industries in the United States are similar in form, purpose, and procedure, to the national joint industrial conference of the Whitley type in England. They are, like the Whitley councils, based upon unions and employers' associations. They are assigned constructive functions, and have a permanent personnel, a constitution, and provision for regular meetings.

The record of the activities of these American councils shows that those in the printing industries have confined their activities more largely to constructive work than have the Whitley councils in England. However, in the council of the electrical industry, the work of settling disputes has predominated to a greater extent than in either the printing councils or the English councils. The Whitley councils have devoted much more time to deciding wage scales, questions of hours, and conditions of work, than have these American national joint councils.

These national joint councils have certain important characteristics in common. In each case there has been a frank recognition of the union by the employers. The employers have apparently declared their intention of dealing regularly with the unions. Peace has been declared.

[9] *Ibid.*, p. 83.
[10] *Ibid.*, p. 82.

The importance of this attitude can hardly be overestimated, for it has long been the contention of the finer class of union leaders that organized labor is always willing and anxious to cooperate constructively with the employer, but that such cooperation has been impossible where the employer has waged incessant warfare on the union. Moreover, it is urged that when the unions must fight for recognition, the fighters, rather than the constructive thinkers among their members, will hold the positions of leadership; and that a constructive leadership can be developed only when there is frank union recognition.

These joint councils of the printing and electrical industries are testing these claims of organized labor. They are based upon frank and continuous union recognition, as a platform of constructive cooperation.

The work of the two councils in the printing industries justifies the conclusion that there are tremendous possibilities in the joint council plan. These councils have undertaken and accomplished results that could not have been accomplished without a large measure of joint cooperative effort. They have already been active in connection with practically all of the functions outlined for them in their constitutions, and, in many instances, have accomplished notable results.

The pronounced success of these union councils must be considered by those opponents of trade unionism who have urged the formation of a local non-union type of joint council, on the basis that unionism necessarily brings class struggle, distrust, and inefficiency, while the local non-union council brings constructive cooperation. The councils in the printing and electrical industries have shown quite conclusively that when employers are willing to recognize and deal frankly with the unions on some permanent and continuous basis, and show toward the organized workers sympathetic good will and a sincere desire to cooperate, those workers will respond with a similar spirit of good will and a desire to cooperate.

B. Summary and Conclusions

The foregoing discussion has afforded the basis for certain important conclusions respecting the council movement. In the first place, it has substantiated the claim of the trade unions, that they have obtained a large measure of democratic industrial control

through national, district, and local councils, composed of representatives of the employers and the workers. There is no justification for the tendency of some writers to distinguish between so-called "industrial democracy" plans and collective bargaining through unions, with the implication that these non-union council plans achieve real democratic industrial management; and collective bargaining, as carried on by unions, does not. On the contrary, the unions have dealt with the same vital problems of industrial management as have non-union councils; they have dealt with them in essentially the same manner; and have, on the whole, exercised a more authoritative voice respecting these matters. Moreover, the total accomplishments of non-union councils have been insignificent in comparison to the accomplishments of the unions.

The procedure in the two cases is essentially the same. There is no magic in a non-union works council plan which can remove the conflict of interests that exists between the employers and the workers. If the non-union council plan truly affords a measure of democratic industrial management, it will function in regard to controversial matters, such as wages, hours, conditions, discharge, shop rules, and the like, just the same as do representative joint councils that form union trade agreements, or the local joint councils that interpret and enforce such agreements. In any case, there will be conflicting interests, and the representatives of each party will strive to serve the interests of his constituency.

A second conclusion which may be drawn, is that where employers frankly recognize and deal with the unions on a permanent basis and in good faith, joint councils may be established, wherein constructive cooperation may be realized. The success of the Whitley councils in England constitutes valuable evidence upon this point.

The issue, then, between the unions and the local non-union councils might be fairly stated thus: Shall there be democratic industrial management by national, district, and local joint councils, composed of representatives on the workers' side, elected by the workers in the industry, district, and plant or shop respectively; or shall there be democratic industrial management by local plant or shop councils unrelated to other sections of the industry? The discussion of this issue is reserved to the following chapter.

CHAPTER VI

TRADE UNIONS VERSUS THE NON-UNION COUNCILS

To a considerable degree, the non-union local works councils in the United States and the unions represent two antagonistic and competing movements. Many of the non-union councils are organized, either to avoid dealing with existing unions, or to prevent the union organization getting a foothold among the men. The latter is the more general situation.

The evidence sometimes offered to show that the non-union council movement is not antagonistic to the unions is the clause that appears in most of the constitutions of council plans, to the effect that no discrimination shall be made against any worker for belonging to any labor organization. A typical example of these provisions is: "There shall be no discrimination under this plan against any employee because of race, sex, political or religious affiliation, or membership in any labor or other organization." A number of provisions add the clause, "or for non-membership in union, fraternity, or other organization." Some plans have the briefer provision that employees are not deprived of the right to belong to a labor organization.

However, it is difficult to see how these provisions constitute any conclusive evidence that the non-union councils are not antagonistic to the unions. These provisions exist in most plans, without question. There is no evidence at hand to show that they are not strictly complied with by the employers. But when all that is admitted, there is still no evidence to show that these firms will deal with the unions, or that when forming their council plans, they have not been hoping that these plans would result in the men's dropping out of the union or refusing to join one. These provisions are simply safeguards to individual workers that they will not be treated differently from other employees because they do belong to a union.

The second argument frequently offered is that many union men have served efficiently as representatives on these works councils. But merely because individual union men have approved of these plans and have cooperated in them and their unions have not refused to permit them to do so, is no evidence that such works councils are not organized with the purpose of injuring unions, or that they are not accomplishing that purpose. On the

other hand, there is considerable evidence that these non-union councils have been organized in many cases with the purpose of gaining permanent localized collective bargaining within the plant or works.

Jett Lauck, who had extensive experience with shop committees when serving as Secretary of the War Labor Board, refers to the non-union council movement in the following terms:

"A large group of employers are trying to evade union recognition by the formation of shop committees and the application of various local schemes of employee representation."[1]

Paul Studensky, who made a study of council plans for the New Jersey State Chamber of Commerce, admits that the movement is partly an effort to "forestall the unionization of the workers."[2]

William Leiserson, former Impartial Chairman for the Rochester Clothing Market, declares that "no employer who is frank will deny that in adopting shop committees, he is trying to avoid dealing with unions."[3]

Ordway Tead, a prominent industrial engineer, testifies that the honest conviction of many employers who are announcing plans of employee representation is expressed in the statement, "If I give my workers a voice in control, there will be no place for any outside organization."[4]

R. C. Newcomb, superintendent of the Deane Works, Worthington Pump and Machine Corporation, says that industrial democracy is "usually offered as an antidote for trade unionism."[5]

An official of the Virginia Bridge and Iron Co., in his reply to the questionnaire sent out in the course of this study, states that "forming a shop committee was done in a sincere effort to counteract the baneful and destructive effects both in morale and production of constant agitation from sources outside the employees themselves, such agitation being almost wholly of imported union inception."

[1] *The Annals of the American Academy of Political and Social Science*, Vol. 90, July, 1920, p. 94.

[2] "'New Jersey,' Shop Committees and Industrial Councils," *Report of the Bureau of State Research*, Vol. VI, No. 10, July, 1919, p. 3.

[3] *The Annals of the American Academy of Political and Social Science*, Vol. XCI, September, 1920, p. 2.

[4] *New Republic*, Vol. 19, June, 1919, p. 241.

[5] *Iron Trade Review*, Vol. 66, February, 1920, p. 565.

The personnel director of a large concern in Chicago recently stated quite frankly to the writer that the employers in his industry did not wish to deal with the unions, and had, therefore, organized joint works council plans.

In the course of this study, the writer has had many interviews and much correspondence with employment managers, personnel directors, and company officials in plants having employee representation plans. The most typical attitude toward unions that has been found among such men, is as follows:

"We do not oppose the union, as such. We concede to the workman the right to organize. We believe the union can carry on many important functions which no other type of organization can perform. But the unions have fallen into disrepute with us and the public, and made it impossible for us to deal with them. Due to the fact that the modern union must charge substantial dues, and that the workman will not pay such dues unless his interest in the union is kept at a high pitch, the leaders of the unions have been compelled to be continually forcing an issue, either by demanding more favorable terms, or fighting proposed changes in the terms of the labor contract. To hold the union together and to expand it, have necessitated placing in power the fire-eating, agitating type of leaders, who can and will keep up the fighting spirit, and keep loyalty to the union strong.

"These leaders have made cooperation and successful collective bargaining through unions impossible from one point of view, because they dare not permit prolonged periods of peace. They cannot cooperate; but must pick a fight in order to save their lucrative and easy riding positions. But this continuous fight engenders class hatred, ill will, and bitterness. The result is inefficiency. Our efforts at scientific personnel management are rendered futile, because the necessary good will and cooperation of the workers are absent.

"Therefore, while we concede the right of organization to the workers, and approve collective bargaining, we are trying to replace the union with another type of organization that will not charge dues and will not need to keep up interest in order to collect them, and which will not have salaried leaders whose position and salary depend upon successful agitation and continuous industrial warfare.

"Under this new localized form of organization and collective bargaining, we have found the men reasonable beyond our fondest expectations. Also constructive cooperation and increased efficiency have at last become possible. The results are beneficial to the public and the worker, as well as to ourselves."

The most valuable evidence collected in the course of this investigation regarding the purpose of employers in organizing non-union council plans has been obtained only upon confidential terms, and cannot be presented. It must suffice to state that the conclusion herein reached is that the majority of non-union council plans have been organized either to undermine existing unions, or to avoid what has been regarded as the otherwise inevitable coming of collective bargaining with unions. This statement does not deny the existence of other important purposes.

Evidence of the effect that non-union councils have had upon the unions has also been difficult to obtain. Many of the inquiries sent out upon this topic were ignored. However, these facts have been obtained:

The Traub Manufacturing Co. has a non-union joint works council in its plant. E. E. Bross, president and general manager of the company, states:

"No objection to our men maintaining membership in the union is offered, but they have all dropped out of their own accord. I have known agitators to come to the plant and ask for a man by name, and that man returned word that he was working and did not have time to see him. Just recently a man from New York tried to incite a sympathetic strike among our men. We paid no attention to him, and the men refused to have anything to do with him."[6]

William McKenzie, president and manager of the Crookston Times Printing Co., in discussing the success of their council plan, says:

"One day toward the end of the month we were honored by a visit from a walking delegate. He wanted to organize the shop. He met a chilly reception. 'Why should we organize a union?' he was asked. 'We are already organized. We have a union now that is giving us everything we could ask for, a partnership in the

[6] *Factory*, Vol. 25, August 15, 1920, p. 538.

business, a voice in its management, and a share in its profits.' The organizer saw there was not a chance in the world for him in that situation and left in a very short time."[7]

The following experience is reported in connection with the Printz-Biederman Company's works council plan:

"The Printz-Biederman Company had an open shop, although many of the employees were union members. In September, 1915, the Garment Makers' Union decided to unionize Cleveland and to start with this shop. The employees heard of the intention through the newspapers; the Senate and the House passed a resolution and it was ratified by the general mass meeting. Here is the resolution:

" 'Whereas the articles appearing in the 'Plain Dealer' under this date and attached hereto conveys a false impression concerning the working conditions in our factory and further indicates our plant as the object of an unjust attack; we, the employees in the House of Representatives, and Senate, specially assembled this third day of September:

" 'Resolved, that the action of the Printz-Biederman Co., in giving us for the past two years such full authority to change any and all working conditions in our plant, is fully appreciated by the whole body of employees, numbering about 1,000 people and it is

" 'Resolved, that we, the employees of the Printz-Biederman Co., hereby express our strong disapproval of the action taken by an outside organization as shown in the proposed demand referred to in this newspaper article, and be it further

" 'Resolved, that we tender to our company our most earnest and sincere support for the present most fair methods of conducting the business.'

"If we knew any stronger language of expressing our full satisfaction, we would use it.

CHAIRMAN, *House of Representatives.*
PRESIDENT, *Senate.*'

"The union never presented a demand. The agitators left town that night."[8]

[7] *System*, Vol. 37, April, 1920, p. 753.
[8] Leitch, John, *Man to Man*, p. 191.

In answer to the questionnaire, the Walworth Manufacturing Co. reports that when it adopted its works council plan, 80% of its men belonged to unions, but now about 20% are members. The Virginia Bridge and Iron Co. makes a similar report. At the time of the adoption of its plan, 90% of its men belonged to unions, but now only 2% are members. Another firm makes the statement that 75% of its men were in unions when its council plan was adopted, but now 25% belong.

A letter received from John P. Frey, Editor of the International Molders' Journal, contains the following significant statement:

"Replying to question number 4, so far as our observation has gone, the effect of all the suggested plans where they have been placed in operation has been to weaken the efforts of trade unionism. In fact, the majority of the suggested plans have received the approval of management because of its opinion that these plans would weaken or destroy the trade union movement."

The natural consequence of the local joint council type of collective bargaining, if successful, will be to undermine the union. Where the right of collective bargaining is accorded and satisfactory adjustments obtained, without the expense of paying union dues, membership in unions will inevitably dwindle away. It is not difficult for the trade union to hold its members, when no other form of collective bargaining exists and when dissatisfaction over autocratic control, hours, wages, and similar matters is so great that the worker can see immediate benefits to be obtained through union activity. Where these matters are satisfactorily settled through local non-union councils it is extremely improbable that the average worker will be amenable to the arguments of the union organizer.

There is reason to believe, therefore, that the non-union council and the unions represent antagonistic and competing movements, and that many workers and employers are making, or will make, a choice between these two types of collective bargaining. Under these conditions, it is important to inquire into the relative merits of the two forms of organization.

One of the crying evils of the modern industrial system is the ever increasing subdivision of labor, which results in monotonous and uninteresting tasks. The worker tends more and more to become a mere cog in an industrial machine, without opportunity

to exercise initiative, to think and plan, and to see his own thoughts and will expressed in his work. This results in dwarfing the worker's intellect because his unused powers atrophy and he tends to lose the capacity to think, plan, and create. The worker, whose sole activity during the greater share of his waking hours is confined to some simple repetitious task, cannot escape the penalty of a dwarfed personality and a stunted intellect.

The hands of the clock cannot be turned back. A return to the earlier stage of craftmanship, when the skilled artisan's activities were sufficiently broad and difficult to afford exercise for his diverse faculties, is both impossible and undesirable. However, something must be done to counteract the deadening and dwarfing effect of minute subdivision of labor. It is a problem which must be approached from many angles, and one which admits of no simple solution. One argument advanced in favor of the local non-union councils is that they make a contribution to the solution of this problem.

Scientific management, with paternalistic control, intensifies this problem, by imposing upon the worker such minute tasks and such minute directions that he is relieved of the last vestige of responsibility and opportunity to exercise intellectual faculties. On the other hand, democratic industrial management, through shop committees, department committees, special committees, and works councils on which membership is rotated, results in extending to the worker a new opportunity to shoulder responsibility and to think and plan. Where such committees and councils study and regulate the many and difficult problems of industrial relations, and also undertake constructive problems of scientific management both as regards productive technique and distribution of product, the problem of the dwarfing effect of simple repetitious tasks will be correspondingly diminished.

The issue at this point is whether or not the trade union type of joint industrial management can accomplish as much in the solution of this problem as can the local non-union council plan. There is obviously a loss of local shop autonomy under trade unionism. It is the defense of the union business agent and the union trade agreement, that they relieve the members of the shop or works of the task of defending their own interests with resulting possibilities of discrimination on the part of employers.

The few hired officials of the union devote their entire time to the solution of the problems that under the non-union council plan are performed by the local shop committee or shop representatives on the works council, which positions can be and are held in the course of time by many members of the working force.

Nevertheless, there is reason to believe that this gain in the direction of local autonomy must be purchased at the expense of retrogression in methods of collective bargaining. The present integrated union movement, which has placed the making of collective agreements in the hands of central authorities and the enforcement of such agreements largely in the hands of the union officials, has evolved in response to definite needs. The immediate members of any working force, by agitation for improved conditions or by over-enthusiastic and efficient defense of their own and their fellow workers' interests, subject themselves to the disapproval of their foremen, superintendents, and other superior officers. The power of such officials over the worker, both as regards security of tenure and advancement, is such that oftentimes it precludes the possibility of effective participation in collective bargaining or joint industrial management by the local workers. The union officials, the business agent, and the central council that meet with the employers to draw up trade agreements, have been evolved in order to remove the influence of local exigencies and deprive the employer of that source of bargaining power.

By pursuing this same line of thought a step further, a second significant objection to the local non-union council is revealed. The integration of the local unions into trade and industrial unions came in response to the need for an organization sufficiently broad in scope to attack industry-wide problems. For example, where competition is strong within an industry, no local union can hope to obtain substantial improvements in the economic status of its members so long as low wages, long hours, and adverse working conditions prevail in any substantial portion of the industry. This constitutes an industry-wide problem that can be adequately attacked only by an industry-wide organization, such as the trade union affords.

The significance of this weakness, on the part of the local non-union works council, has been deeply impressed upon the writer in the course of this investigation, by reason of the fact that a

study of the proceedings of works councils has revealed a prevalent use of the exigencies of competition as an argument for reduction of wages, longer hours, or many similar demands of the employers. Facts and figures carefully organized and forcefully presented which show that an increase of wages is impossible and a decrease is necessary in order to meet competitors' prices and to continue to gain a share of the business, become the employer's chief ally in collective bargaining on a local non-union scale. Few employees comprehend the fact that once this force of competition is given a free rein in an industry, it may travel a course that holds wages, hours, and working conditions down to anti-social levels.

A third weakness in the non-union works council type of collective bargaining is found in the lack of adequate knowledge among the rank and file of the workers. The following extract from a letter received from a prominent trade unionist deals with this point:

"The reason why we oppose all of these plans is that the workers in the plant cannot secure the knowledge necessary to enable them to hold their own successfully in discussing their claims with the management.

"The workmen in a plant are not familiar with trade reports, with Dunns, with Bradstreets, with counsellor reports, with the tendency of the money market, with internal and external competition, with conditions obtaining within the same industry in other cities and states. Without such knowledge, they are not possessed of the information necessary to discuss successfully wages, etc. with their employers. It is only a trade union movement which elects men to devote their entire time to studying these questions, which is able to supply the workers with the information they require."

Employers themselves have often testified regarding the ignorance of the average worker in matters of business finance. Surplus and depreciation funds, problems of attracting adequate capital, the meaning and significance of stock dividends, and numerous similar matters are so misunderstood by the workers that their concept of industrial justice is thereby sadly warped. This same ignorance gives the employer the upper hand in bargaining with the local non-union shop committee or works council.

The most popular argument against the non-union, intra-plant type of collective bargaining remains to be stated. Many council plans provide that decisions must be reached by agreement, a unanimous vote, or at least by a majority vote of the representative body. This necessitates the approval of all or some of the employer's representatives before any measure can be passed. If the company's representatives vote "no" to labor's proposals, what alternative is left? There remains only the resort to direct action by striking, boycotting, or similar tactics. But if the workers of the firm have forsaken the union and given allegiance to the local council plan, they cannot hope to use direct action effectively. They face an employer backed by a well organized employers' association, pledged to help him win.

According to a recent estimate published by the National Industrial Conference Board, there are now more than 3,000 employers' associations in the United States with a total membership of over 4,000,000.[9] The typical employers' association is so organized and managed that it can materially increase the bargaining power of its constituents. Special defense funds, devoted to the assistance of members involved in industrial emergencies, and salaried commissioners or executive secretaries, whose duties are analagous to those of the business agent of the union, are maintained by those associations. Provisions are made whereby in time of emergency, such as the strike, a member may draw heavily upon the defense fund, may receive the assistance of other members in filling orders, and may obtain a large supply of all necessary types of labor through the central association and its members. The association will also exert its powerful influences in every way possible to obtain for the member who is in trouble concessions from customers, bankers, and those furnishing raw materials. Against this array of power the workers have to place their puny intra-plant organization.

Negotiations through this intra-plant organization are hardly entitled to the name, "collective bargaining," for the most essential attributes of individual bargaining are present. The individual worker bargaining with the employer has always suffered from insufficient waiting power, due to lack of funds; from immobility, due to lack of funds and lack of knowledge of the labor market;

[9]Watkins, Gordon S., *Introduction to the Study of Labor Problems*, p. 393.

and from inadequate leadership. The unions have been evolved to remedy these weaknesses. These basic causes of inequality in bargaining power are not remedied by the local non-union type of intra-plant organization. Direct action under these conditions would be ludicrous, and collective bargaining a fiction. True collective bargaining can exist only where there is approximate equality of bargaining power between the two parties. In proportion as this equality, the essence of collective bargaining, is lost, the old status of the individual bargain prevails. Such would be the obvious and inevitable effect of the spread of the local non-union council movement in so far as it replaces or forestalls unionism.

While admitting the force of the foregoing argument, it is necessary to call attention to one phase of the question which such reasoning ignores. The majority of the local council plans provide for final decisions by arbitration. In these cases, it is not true that the company officials may defeat any measure by voting "no"; that they, therefore, hold all final authority; and that in case they oppose a measure, the only recourse of the workers is to direct action under conditions of great inequality in bargaining power. In the minds of many students, final arbitration is the fairest solution that can be found for issues upon which the conflicting parties cannot agree. Indeed, when strong unions exist, the result of collective bargaining is frequently, perhaps generally, final arbitration or a compromise similar to that which the arbitrator would have decreed.

The answer most frequently offered to the critics of the non-union council plans is that the non-union councils must be considered a success and more advantageous to the worker than the union, because wages, hours, and general conditions have been better under these council plans than in plants where the union prevails. No doubt there is much truth in this assertion. The evidence collected in the course of this investigation leaves no doubt in the writer's mind that in a very substantial proportion of the plants wherein works councils or shop committee systems have been introduced, conditions, hours, and wages have been as good as, or better than, unions have obtained in similar plants elsewhere. This constitutes one of the most promising features of the works council movement, and explains, in part, the adverse effect of the local council upon the union.

In view of these facts, the question is raised as to the validity or significance of all arguments against the local non-union type of collective bargaining. What matters it that they have no industry-wide organization to meet industry-wide problems; have less bargaining power than the union; and cannot avail themselves of expert knowledge and advice as can the union? If wages, hours, and conditions are as good as, or better than, in union plants, and democratic control prevails to a greater degree, what significance have such supposed weaknesses?

This proposition is open to attack from two angles. In the first place, the movement is yet in its infancy. The majority of council plans have not yet celebrated their fourth birthday. The movement is largely anti-union and if it is to accomplish its purpose of destroying existing unions and checking the spread of unions, it must make a good record in its first four years. The employees may have no real authority, but the management may have paternalistically conceded as good, or better, wages, hours, and conditions as the unions obtain elsewhere in order to convince the workers that local collective bargaining is as effective as unionism. However, gradually as the existing unions are weakened, or the danger of the spread of unionism within the industry is diminished, the autocratic power of the management can be reasserted and profits increased at the expense of wages. In short, once the local non-union council type of collective bargaining is firmly installed in an industry, the employer will be able to manipulate wages, hours, and conditions, so as to forestall the growth of unionism. But to do so will necessitate placing wages, hours, and conditions on a par with those obtained by the unions only at times when unionism threatens to regain its foothold. At other times, perhaps for long periods after unionism within the industry is thoroughly broken, the terms of the labor contract can be made favorable to the employer. Long run profits under such a system might be larger and long run wages less than under union conditions.

The proponents of unionism also urge that the fact that wages, hours, and conditions in many plants having non-union council or committee plans are as good as, or better than, in the union plants, instead of being an argument for such plans, is in reality another tribute to the trade unions. The existence of the unions

and favorable terms of the labor contract obtained by them, has been the force that has compelled the paternalistic employer to grant equally favorable terms to his employees in order to make his non-union council plan a success. The accomplishments of the unions have redounded to the benefit of the workers in these non-union plants in the same way that they redound to the benefit of the remnants of unorganized workers in any well organized trade.

Finally, in this connection, it should be emphasized that the existence of favorable terms in the labor contracts obtained under non-union intra-plant bargaining does not remove the objection that the broader functions of the trade unions, as embodied in their political activities in behalf of labor, cannot be performed by the local intra-plant organization.

Another defense of the non-union works council is based upon the proposition that the works council brings increased cooperation and good will, with a resulting increase in productivity, which redounds to the benefit of worker, employer, and consumer, while the union causes and encourages class struggle. Under the latter condition, bitterness, restriction of output, striking on the job, and general inefficiency are the result. The product to be distributed grows less per man, and the struggle of each factor for a larger share is thereby intensified.

There is truth in this oftentimes exaggerated contrast of the two movements. The rapid growth of organization among the workers has been paralleled by a similar rapid growth of organization among the employers. The ill will and intolerance in each of these opposing camps have apparently steadily increased, and the increasing scope and intensity of the struggle that has ensued have afforded a wealth of support for the proponents of the Marxian doctrine of class struggle.

On the other hand, the vast majority of the local non-union works councils have apparently operated in an atmosphere of good will and have gained much constructive cooperation. Increased production and a decrease of strikes and other more subtle types of industrial warfare have been the general result.

However, in an impartial discussion of the relative merits of these two types of collective bargaining, cognizance must be taken of the truth in the union's contention that the cause of the class conflict that results from unionism is to be found in the antago-

nism of the employing class. The general situation has been characterized by the refusal of the employers to deal with the unions. They have declared war upon unions and have dealt with their representatives only when forced to do so. They have assumed the right of organization among themselves, but have tried to deny that right to the workers. The only possible outcome has been class struggle, warfare, ill will, and inefficiency.

Nevertheless, it is urged, there are exceptions that show that such evils are not a necessary corollary of collective bargaining through unions. The successful council movement in England has been based upon unionism. The works committees, district and national councils, are composed of union and management representatives. The accomplishments of these councils have been such as to demonstrate the possibilities of constructive cooperation between men and management, when management gives such cooperation a frank and fair trial. Similar results are claimed for the industrial councils found in the printing and electric industries in the United States. The success of the Hart, Schaffner and Marx plan of industrial relations is also cited in this connection as an example of constructive cooperation of management and union men, with resulting good will and efficiency.

There is, in fact, something intangible about the contention that the trade unions necessarily bring class conflict, ill will, and inefficiency, while the local company unions bring good will, cooperation, and efficiency. It is the almost universal testimony of employers who have tried non-union works council plans, that they have found their men intelligent and reasonable, and cooperation with them an easy matter. Is it impossible for the employers to cooperate with these men when they are organized into unions? Or has the employer's bitter warfare against the union brought a logical reaction of bitterness and warfare from its members, and forced it to develop a radical, militant, type of leaders in place of a more constructive type? Here again we must freely acknowledge a modicum of truth in the arguments of both sides.

The size and scope of trade or industrial unions increase their problem of maintaining membership, interest, and efficient leaders. The agitator's services are needed. He gains control, and as a result the employer is antagonized; unreasonable demands by the unions increase; and industrial warfare is intensified. But it is also true that trade unions have been forced to fight a long battle

merely to establish their right to collective bargaining, and that the effect of this general opposition by employers has necessitated the very fighting, agitating, fire-eating, type of union leaders of which they now complain.

In one respect it is obvious that the local works council fails entirely to offer a satisfactory substitute for the trade unions. The tendency is always to conceive of the functions of the trade unions in terms of bargaining for wages, hours, and working conditions, and to overlook their extensive accomplishments of obtaining labor legislation, the proper enforcement of labor laws, and the defeat of proposed legislative measures opposed to the interests of the workers. Minimum wages, regulation of hours and conditions of work, workmen's compensation, child labor, immigration, tariffs, regulation of employment bureaus, are but a few examples of the many subjects upon which organized labor has helped to obtain legislation favorable to the worker. Many trade agreements, notably in the mining and railroad industries, call for the enforcement of all labor laws. The American Federation of Labor has its state and national legislative committees, and through its organized lobbying system focuses the political power of labor upon desirable or undesirable legislation. This function of the American trade union is made doubly significant and essential by the absence of a labor party. Without the unions, labor's political power in the United States would be almost nil. These broader functions performed in the interests of labor by the unions could never be performed by the local non-union councils. Coordinated activity would be impossible. The most desirable course, according to many unionists, would be to have both the union and the local shop committees and councils, and to obtain the benefits of both forms of organization.

In the 1919 convention of the American Federation of Labor the following resolution was passed:

"The Executive Council believes that in all large permanent shops a regular arrangement should be provided whereby—

"First—A committee of the workers would regularly meet with the shop management to confer over matters of production; and whereby—

"Second—Such committees could carry beyond the foreman and superintendent to the general manager or to the president, any important grievance which the workers may have with reference to wages, hours, and conditions."

Matthew Woll, vice-president of the American Federation of Labor, writes this:

"It is not urged that the 'Shop Committee' plan as a supplemental branch to the trade unions cannot be made to serve a most helpful purpose in industry. To the contrary, the necessity of team work between all workers in a plant or shop is fully and freely conceded. Indeed, the formation of shop committees is required by many trade unions as a method of considering problems of production with the shop management, to secure team work, to adjust conflicts, and if need be, to take up all shop questions with the highest officials of the plant.

"The trade unions fully recognize that there are many questions closely affecting daily life and comfort in the success of business, and in no small degree, efficiency in production, which are peculiar to the individual workshop and factory. Confined to these purposes . . . . , shop committees, as supplemental branches of the trade union movement, are not alone favored but recommended."[10]

In Chapter V of this study, a description of the type and functions of shop committees which exist in many union plants was given. These committees are composed of representatives elected by all the men in the shop, or of a single shop steward who is elected by the men or appointed by the union. The function of these local union shop committees or shop stewards is primarily to interpret and enforce the terms of the trade agreement, and to adjust any grievances or conflicts that arise. Such committees meet with representatives of the management, thus forming joint committees. It is this type of shop committees that the trade union leaders have in mind when they express their approval of local shop organization. Stated concisely, their position is this:

The satisfactory solution of some problems, such as hours, wages, and working conditions, necessitates uniformity and standardization throughout a competitive industry. Such uniformity

[10] *Annals of the American Academy of Political and Social Science*, Vol. XCI, September, 1920, p. 14.

and standardization can be obtained only through trade unions negotiating district or national trade agreements. Local shop committees and works councils cannot be permitted to tamper with such issues. But in the local interpretation and application of the necessarily broad and general provisions of the trade agreement, as well as in the adjustment of all minor grievances and conflicts that arise between employer and men, there is room for much constructive work by a local shop committee or works council. Moreover, there are unlimited possibilities of constructive cooperation between such local committees of the men and management in developing improved methods of production. Finally, there is no objection to such local committees cooperating with the management in fixing shop rules and regulations, in so far as this involves no interference with the terms of the trade agreements.

Under such an arrangement, the work of the shop committees and works councils would be coordinated with, and supplemental to, the larger union organization. They might be an integral part of the union, as in the case of many of the works councils in England; or, like the German works council, they might be a distinct organization, elected by all union and non-union workers in the shop or plant, but operating in strict harmony and cooperation with the union.

However, it cannot be conceded that such an arrangement would gain the benefits of both central and local organizations. In the first place, it is obvious that any attempt to subordinate the local works council to the union, could succeed only by the sacrifice of local shop autonomy in the crucial matters of wages, hours, conditions of work, and closely related problems. This would result in a proportionate loss in interest on the part of the working force, and a proportionate loss of efficiency. The power of the local committee or council to conteract the narrowing influence of subdivision of labor and machine production by extending to the worker an opportunity for activity on committees handling these important problems would be correspondingly diminished.

In the second place, the expected benefit under the local type of organization of avoiding an undesirable class of leaders would be lost by combining the unions and the local councils. The union demands, and encourage industrial warfare, might still hold sway. agitator who would antagonize employers, make unreasonable demands, and encourage industrial warfare, might still hold sway.

The foregoing discussion does not form an adequate basis for any unqualified conclusions respecting the merits of the union and the non-union council. It has been made apparent that such gains as the worker can hope to attain through the choice of localized collective bargaining under a non-union council plan must be purchased at a tremendous expense and with great risk. Such a choice would be accompanied by great possibilities of future harm to the working class.

For most employers, the local non-union council type of bargaining is possibly the most desirable. In these days of monopoly, combination, open price associations, and gentlemen's agreements, the intensity of competition has been greatly diminished. Nevertheless, there may be employers who desire to improve the standard of living of their workers, but who are really unable to do so because of competition. To such employers, the union's help in standardizing conditions would be welcome, and if higher standards for the worker but increased efficiency, the result would be beneficial to all concerned. There may also be employers who, under localized non-union collective bargaining, would lower wages and lengthen hours until the resulting inefficiency would defeat their own end of increasing profits. To them, the power of a strong union to hold up higher standards would be beneficial. But to the employers who recognize the possibilities of more democratic industrial management; who install a genuine employee representation plan; who thereby avoid industrial warfare with unions; and gain the good will and cooperation of their working force, to such employers the non-union councils are most desirable. The majority of employers now having non-union council plans belong to the latter group. They have found their council plans a decided success.

The defense of the non-union council plans is often stated in terms of the benefits accruing to the general public or the consumers. Less industrial warfare and increased production resulting from works council plans might result in lower prices. On the other hand, if the increased productivity resulted in larger profits, rather than lowered prices, the benefit to consumers would be lost. Finally, if the bargaining power of the workers should be lessened, in the long run, by virtue of their choice of the local council in preference to the union, any benefit to them from lower prices might be more than overbalanced by their loss in wages.

One effect of the works council movement appears certain. It has already gained sufficient momentum and sufficient scope to arouse in the leaders of organized labor bitter antagonism. It has already spread to over seven hundred American plants, and its progress in the last two years has been greater than in the preceding two years. The immediate effect of this has been, and will be, to incite the unions to greater efforts and to make the industrial conflict at many points more bitter than before. "Company unions" have already been classified with "scabs," and have become a new object for hatred and abuse. To one who follows the labor press it appears that they bid fair to become not a harbinger of peace and good will, but a new bone of contention and a new cause of industrial conflict.

There seems to be little probability that the non-union council movement will destroy many existing unions in the near future. Nevertheless, the experience in the packing industry has shown that union leaders have a new and serious factor with which to contend. The council plan of the Pennsylvania Railroad is well established, and if similar plans are adopted in any substantial proportion of the railroad industry, the outcome of another great railroad strike might be such as to break the strength of even the strong railroad brotherhoods. In any event, their power would be seriously lessened. However, the non-union council movement, if the present rapid rate of increase continues long, cannot fail to check materially the growth of unions. It is in this direction, rather than in destroying existing unions, that its effects will be most harmful to the plans of organized labor.

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